

2006/07 ANNUAL REPORT

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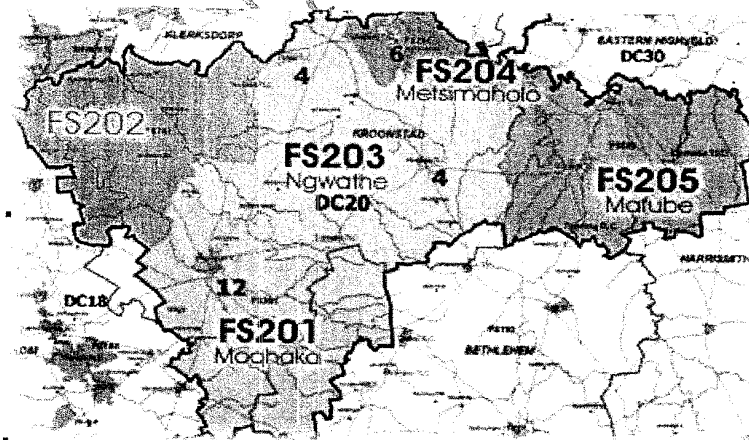
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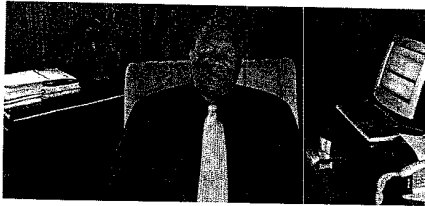
Local Economic Development

Evaluation of Municipal Performance 2006/07

CHAPTER 1

Executive Mayor's foreword





South Africa is regarded as a constitutional democracy with detailed responsibilities and obligations for the elected leadership as well as the constituency, respectively. Some responsibilities that government has to provide to the constituency is the regard to free communities from the scourge of poverty and underdevelopment. Mafube Local Municipality has developed a vision and mission statement in recognition and commitment of the role given on the constitution. Those are as follows:

VISION

"To be a democratic government which will ensure the well being of the entire community"

MISSION STATEMENT

To provide integrated, effective and transparent government by ensuring:

- o economic growth
- o a safe and healthy environment
- o effective service delivery
- o sound financial management

With these good intentions in mind we endeavoured to make our programmes realize our goals for the 2005/06 financial year accompanied by our fledging community participation processes. Our achievements must therefore be noted given the fact that current revenue generation mechanisms do not allow for increased revenue. In addition, as municipality we struggle to because our area is mainly rural and there is rampant poverty and unemployment.

We have also noted in agreement with report of the auditor general for the 2005/06 financial performance and suggestions that a lot still need to be done in order to improve his opinion on our strength to deliver services with complete financial prudence.

We therefore undertake to improve on areas that have been identified and thereby commit to make them a priority in the 2006//07 financial year.

Mayor
Mr. LDM Ntombela

Overview of the municipal area

Mafube Local Municipality - Geographics

Mafube consists of four towns (Frankfort, Villiers, Cornelia and Tweeling), as well as a rural area consisting mainly of commercial agriculture. Villiers, Tweeling and Cornelia are located in an area of agricultural significance and mainly provide restricted services in this regard to the surrounding rural communities and primarily accommodate farm workers migrating to these towns.

Frankfort/ Namahadi

Frankfort remains the growth point in Mafube and plays a major role in terms of a regional service provider and industrial and commercial development. Frankfort is situated 55km east of Heilbron and approximately 120km south east of Sasolburg. Frankfort is a typically developed small town serving the predominant surrounding agricultural community.

Tweeling /Mafahlaneng

The Greater Tweeling is located approximately 150km east of Sasolburg and 350km north-east of Bloemfontein and is situated adjacent to the Frankfort/Reitz Primary road. Other larger centres such as Vereeniging and Vanderbijlpark are all within 160km from Tweeling. Primary agricultural activities include sheep and cattle farming, maize and sunflower seed production.

Villiers/ Qalabotjha

The Villiers town area is situated on the banks of the Vaal River, adjacent to the N3 National Road between Gauteng and Durban. In relation to other major centres, the town is located 120km from Johannesburg, 80km from Vereeniging and 117km from Sasolburg. Villiers is predominantly agricultural orientated where products such as maize, sunflower, wheat, grain, sorghum, meat and dairy products are produced. Villiers functions as the main concentration point for products in the district from where it is directly exported. The grain silos in Villiers, together with other grain silos in the district have a storage capacity of 273 000 tons.

The tourism related nature of specifically Villiers adjacent the Vaal River should be enhanced focusing on low density residential development on the riparian areas and "recreation and tourist" attractions as identified in the Vaal River Complex Regional Structure Plan.

Cornelia/Ntswanatsatsi

The Greater Cornelia is situated 40km east of Frankfort, 160km east of Sasolburg and 32km south east of Villiers. The town is situated adjacent the R103 secondary road between Warden and Villiers. Cornelia typically developed as a small town serving the predominant surrounding agricultural community.

Demographics

Population

The lowest estimated population figure for Mafube in 2008 is 61936. The latest official figure was 57650 in 2001. There was a considerable decline in the rural population of 10.3% per annum over the past 5-year period. The highest annual population growth rate was in Villiers with an annual growth rate of 11%. Tweeling and Cornelia also experienced relatively high levels of population growth.

Age

Compared with South Africa, the Free State, and Fezile Dabi, Mafube had the largest percentage of people younger than 15 years. The percentage in Mafube was 34.5% compared with 29.4% in the district. Mafube also had the highest percentage (7.9%) of population older than 60 years.

Gender

The census data reveals that the percentage of males dropped from 47.7% in 1996 to 46.8% in 2001.

Socio-economic profile

Sector contribution

The proportional contribution and trends of the economic sectors in Mafube, Fezile Dabi and the Free State guides the potential and decision making process of development.

Economic Sector	Mafube		Fezile Dabi		Free State	
	1996	2004	1996	2004	1996	2004
Agriculture	22.2	13.9	6.2	3.5	6.5	4.3
Mining	0.5	0.7	5.4	4.4	13.4	8.0
Manufacturing	24.5	24.0	45.8	51.7	21.0	25.0
Construction	4.3	4.5	4.3	2.5	4.0	3.0
Water	1.0	0.7	4.5	3.7	3.4	2.8
Transport	3.3	7.0	5.2	6.6	7.7	10.9
Trade	7.7	9.0	7.6	7.5	12.2	13.7
Finance	12.1	12.1	7.0	6.8	11.8	11.2
Community Services	24.4	28.1	13.9	13.5	20.5	20.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

Economic Sector Contribution in Mafube

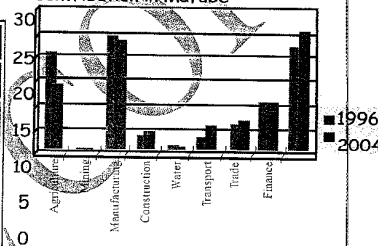


Table: Proportional contribution of economic sectors in Mafube (Source: Quantec database)

The relative contribution of agriculture has decreased rapidly in Mafube. The relative importance of manufacturing in Mafube is acknowledged. Nearly one quarter of the economy in Mafube is dependent on manufacturing - mainly linked to the agricultural economy in and around Frankfort. Sectors in which remarkable proportional gains are reported are trade, transport and community services.

Unemployment

Unemployment remains a critical concern in the area and unemployment figures could generally be considered as high. Only 16.6% of the population is employed. The most recent unemployment statistics for Mafube is 13.3%; the portion of the eligible work force that is unemployed, is calculated as 24.6% and 30.4% of the population is not economically active.

Poverty levels

26.8% of households in Mafube, has no income. Compared with Fezile Dabi and the Free State, Mafube has the highest percentage. Cornelia has the highest percentage of households with no income (38.2%), followed by Villiers (34.5%). Villiers has the largest number of people with no income followed by Frankfort with fewer people with no income. People living in poverty in Mafube is estimated at 77%.

CHAPTER 2

High level performance assessment

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2.1. Introduction

Section 152(1) of the Constitution of South Africa, Act 108 of 1996, refers to the objectives of local government, which are:

- to provide democratic and accountable government for local communities
- to ensure the provision of services to communities in a sustainable manner,
- to promote social and economic development,
- to promote a safe and healthy environment, and
- to encourage the involvement of communities and community organisations in the matters of local government.

Section 38 of the Municipal Systems Act, 33 of 2000, introduces the concept of performance management for municipalities. This section indicates that a municipality, must:

- a. establish a performance management system that is,
 - commensurate with its resources,
 - best suited to its circumstances,
 - inline with the priorities, objectives, indicators and targets contained in its integrated development plan
- b. promote a culture of performance management among its political structures, political office bearers and councillors and in its administration, and
- c. administer its affairs in an economical, effective, efficient and accountable manner.

The requirement in section 38 of the Municipal Systems Act provides a clear linkage between the IDP of local municipality and the performance management system that it adopts. From the legislation it is evident that the performance management system is designed to measure the extent to which the objectives as set out in the IDP are being achieved.

Performance management is a tool that provides a conducive climate for improved service delivery and reporting on set priorities of the municipality for a given financial year. The Municipal Systems Act requires that the municipality establish a performance system that is commensurate with its resources, best suited to its circumstances, and in line with the priorities, objectives, indicators and targets contained in its integrated development plan (IDP). It is required to promote a culture of performance management among its councillors and officials.

It is an instrument that is used as part of strategic management that correctly informs budgeting, planning and performance management in quite an integrated manner. With implementation of the system, the municipality is enabled to plan better by way of informing all stakeholders in a coordinated manner of progress achieved and how performance was measured and thereby providing informed report on the successes and challenges that must be addressed in the future.

The municipality has not yet implemented the system due to a number of reasons. Firstly, the system requires that money be set aside as incentive for senior managers and secondly, a wholesale inculcation of the culture of performance reporting which could take some time. Thirdly, we are a low capacity municipality and the implementation would definitely have to cause structural reorientation of some responsibilities in order to accommodate those related to performance management.

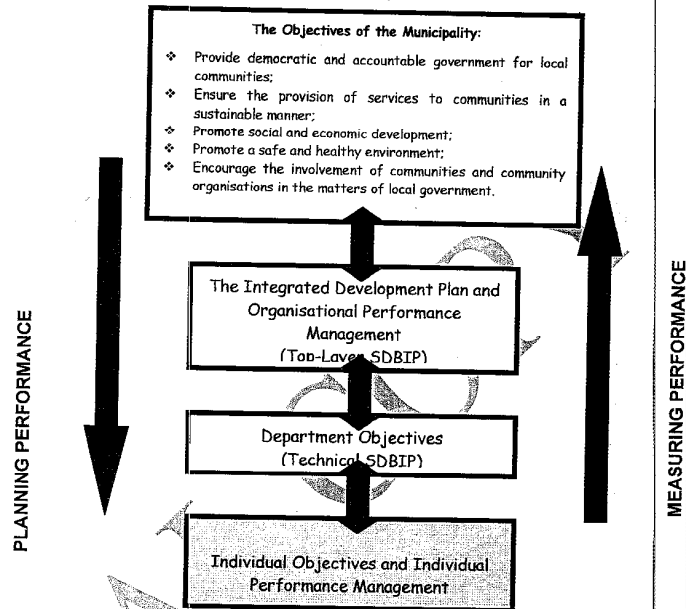
2.2. Mafube Local Municipality's PMS approach

Our approach to performance management will be aligned to the Municipal Systems Act, 32 of 2000 specifically on performance management which clearly states quite a number of processes. Firstly, we will attempt to link our key priority areas with those of the province in order to create some alignment. This is key for the municipality in order to assist in the implementation of national and provincially set targets.

Secondly, it would then link key performance areas to our developed strategies, key performance indicators and targets.

Thirdly, Scorecards of departments would have to be developed and consolidated into municipal scorecards. These scorecards are the basis for performance agreements signed between senior managers (HOBs) and the Municipal Manager. The above is best illustrated in the form of a diagram as follows:

Diagram : Link between Organisational PM and Individual PM



2.3. Institutionalising PMS

The Performance management responsibilities lie with the accounting officer. It is expected that the Municipal Manager and the Office of the Mayor are custodian of performance management and therefore performance contracts, performance agreements and personal development plans will be developed firstly for the Municipal Manager. The second tier of performance management is the managers who account directly to the Municipal Manager. As a start all Manager must be accountable for the tasks that they are to deliver. These then mean that the municipality should first ensure that senior managers account for the work that they have been contracted to do.

2.4 Policies and Legislative Requirements:

The status of policies that is in a process to be reviewed are as follows:

Item	Current status
Human Resource Policy	Implementation of human resource plan with SALGA
Language Policy	Not done. To be addressed
Employment Equity Plan	Completed and approved by Council. Awaiting finalization on organizational structure for implementing
By-Laws and Regulations	Formulate and implement by laws
Code of conduct	Completed. Approved by Council
- Councilors	
- Employees	
Guidelines for Community Participation	Not done. To be addressed
Performance Management System	In process of compilation and finalisation as part of IDP.
Delegation of Powers	Implement delegation of powers policy
Tariff Policy	Not done - In process by MST
Competitive Bidding System	No action taken with reference to compilation.
Credit Control and Debt Collecting Policy	Implementation of credit control policy and debt collection procedure
Agreements with employees and councilors to deduct municipal consumers account from salaries	Implemented
Declaration of interest by Councilors and Employees	Implemented.
Election of Speaker, Mayor and Executive Committee	Finalised.
Ward Committees	Ward committees elected but not structured and not fully functional
Aids and Sexual Harassment Policy	No action taken as yet.
Procurement (Tender) Policy	Approved by Council and implemented
Appointment of Councilor responsible for financial matters	Approved
Finalization of organizational structure	Formulate and approved by Council. In process of consultation with LLF
Indigent policy	Approved by Council
Skills Development Plan	In the process to be completed and approved by Council
Policy on replacement of equipment and vehicles	Not done yet
Establishment of Audit Committee	Established but not functioning
Financial Regulations	In process of compilation by MST and awaiting Freloga standard policies
Cash Management and Banking Arrangement Policy	Not done yet
Disciplinary Code	Proposals submitted by Freloga. Awaiting Council approval for implementation
Procurement policy	Formulation of integrated town scheme for Mafube
	Development of an effective procurement policy with focus on labour intensive practices and emerging contractors and PDI's

2.5. Auditor General's Report on PMS for 2006/07

Item no. on the AG's report	Item description	AG's finding
	Fixed assets and assets register	No reliable assets register. Cost of fixed assets in terms of the register differs from the one disclosed in the financial statements.
	Valuation of debtors	Valuation of debtors as disclosed were not the same as the one in the financial statements.
	journals	No supporting documents were available for journals that impacted on debtors.
	Leave register	No sufficient audit evidence in respect of provision of accrued leave amounting to R817,060
	Valuation	Valuation roll not updated.
	Salary system	Salary system not reconciled with the general ledger.
	Development and implementation of KPIs	The municipality did not develop, adopt and implement formally documented KPIs which include prescribed KPIs as required by regulation 10 of MPPMR.
		No tracking of service delivery was done.
	Internal monitoring	The municipality has no proper control and procedures for monitoring
	Internal control	The municipality does not have internal audit activity as prescribed by section 45(a) of the MSA and regulation 14(1) of the MPPMR
	Performance measurement and reporting	The municipality has no PMS and performance management committee does not exist.
	Monthly and quarterly reports	Section 71 and 72 reports were not consistently sent to the mayor and treasury.

2.5. 2006 Performance Management Regulations

In August 2006, the new Municipal Performance Regulations for Municipal Managers and Managers directly accountable to Municipal Managers was promulgated. These regulations are binding to all 284 municipalities in South Africa. The following are key provisions of the regulations:

A performance agreement entered into for each financial year or part thereof:

- A new performance agreement must be concluded within one month after the commencement of the new financial year;
- Employee must be assessed in terms of: Key performance areas (80%) and Core competency Requirements (20%);
- A 5-point rating scale should be provided for each KPA
- Performance bonus range: 5%-14%;
- A score of 130%-149 is awarded a bonus from 5%-9%;
- A score of 150% and above is awarded a bonus from 10%-14%; and
- A guaranteed annual cost of living adjustment to salaries must be paid, which is not linked to performance

CHAPTER 3

Human Resource Information

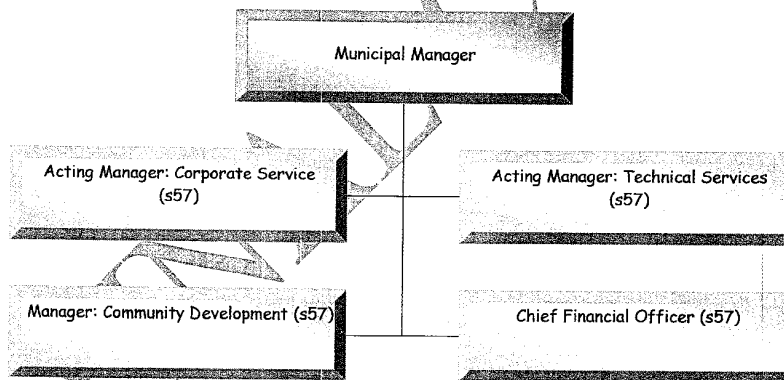
CHAPTER 3
HUMAN RESOURCES INFORMATION

3.1. Political structure

		Councillor	
1	Mayor	Cllr. LDM Ntombela	
2	Speaker	Cllr. M. Moloi	

The municipality is represented by 14 councillors, 2 of whom are full-time. The fulltime councillors are the Mayor and the Speaker.

3.2. Administration



3.3. Staffing complement

Function	Total No of Positions	No Permanent	No Temporary	Total No vacant	No Resigned/ Passed away	New Appointments
Finance	22	2	15	16	1	1
Human Resources	1	2			2	5
Other Administration	33	1	3	11		
Community Services	193	3	6	39		
Housing	2	3	-			
Traffic	1	193	-			
Clinics		2				
Economic Development		1				
Solid Waste	61			9	7	
Sewerage	9					
Water Distribution	48	61		2		
Electricity Distribution	4	9		1		
Electricity	10	4	13	5		
Streetslights		8	2			
		4				

2.4. Portfolio committee structures

Matube Municipality has four portfolio committees with a total number of 8 members

Committee	Chairperson	Number of members
Community Services and Local Economic Development Committee	Mr L Kubeka	2
Corporate Services Committee	Mr D Mfene	2
Finance Committee	Mr J Moloi	2
Technical Committee	Me S Mokoena	2

Table: Portfolio committees

CHAPTER 4

Audited financial statements and related financial information

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Inventory

7. A difference of R643 477 was noted between the total value of the inventory counted at yearend and the balance of R814 674 as disclosed in the balance sheet and note 9 to the financial statements. Consequently inventory is overstated by R643 477 and expenses are understated by the same amount.

Investments

8. A difference of R328 829 was identified between third party confirmations and investments that are disclosed in the balance sheet and note 7 to the financial statements. Because the relevant information was not available, I could not obtain adequate audit assurance as to the existence of the investment. The municipality's records did not permit the performance of alternative audit procedures. Consequently, I was not able to determine whether any adjustments might be necessary to the amounts shown in the financial statements for investments.

Bank

9. A difference of R399 782 was noted between the bank balance of R582 065 as disclosed in the balance sheet and note 12 to the financial statements, and the amount used as the cashbook balance in the yearend bank reconciliation. Furthermore, supporting documents for journals with a total value of R778 646 that impact on bank could not be submitted. Due to the lack of information I was also unable to perform reasonable alternative audit procedures to provide me with the required audit assurance with regard to the bank balance. Consequently, I was unable to obtain sufficient appropriate audit evidence in respect of the valuation of bank with a balance of R582 065 as disclosed in the balance sheet and note 12 to the financial statements.
10. An audit trail for tracing individual receipts to the general ledger was lacking. This is due to the fact that receipts are only captured in the general ledger on a monthly basis through integration. Due to a lack of information and documents I could not determine whether receipts were captured accurately and completely. The municipality's records did not permit the performance of alternative audit procedures regarding the recording of receipts. Consequently, I was unable to obtain the required assurance as to the occurrence, completeness, allocation, and accuracy of receipts to the amount of R117 357 697.

Provisions

11. I was unable to obtain sufficient appropriate audit evidence in respect of the provision for accrued leave amounting to R817 060 as disclosed in note 3 to the financial statements. Due to the lack of information I was unable to perform reasonable alternative audit procedures to provide me with the required audit assurance. Consequently I was not able to gain adequate audit assurance as to the existence, completeness, valuation and obligation with regard to the provision for accrued leave.

Creditors

12. For reasons as detailed below I was unable to obtain sufficient appropriate audit evidence as to the existence, obligation, completeness, and valuation of creditors to the value of R37 114

- The assessment rates reconciliation for the current financial year could not be submitted. A recalculation of total assessment rates could not be performed because the relevant information was not available.
- Assessment rate charged decreased by R801 654 from the previous year. No supporting documents could be submitted to explain the decrease.

Accordingly, I was not able to determine whether any adjustments might be necessary to the amounts disclosed in the financial statements for debtors, revenue, deficit for the year and accumulated deficit. In the absence of sufficient appropriate evidence, I was also not able to perform reasonable alternative procedures to obtain the required audit assurance in this regard.

15. Adequate information could not be obtained in order to recalculate the interest of R304 430 on outstanding debtors. Adequate audit assurance as to the completeness, accuracy and occurrence of interest on outstanding debtors could thus not be obtained. The municipality's records did not permit the performance of alternative audit procedures regarding the interest income to enable me to obtain adequate assurance. Accordingly, I was not able to determine whether any adjustments might be necessary to the amounts disclosed in the financial statements for interest on outstanding debts.
16. No supporting documentation could be obtained for journals that impacted on revenue with R1 149 809. I could therefore not determine whether these journals were valid and accurately recorded and could therefore not gain adequate audit assurance as to the accuracy and allocation of revenue. The municipality's records did not permit the performance of alternative audit procedures regarding these journals.
17. Included in the actual expenditure for economic services is an amount of R1 761 752 (2006: R4 848 757) with regard to free basic water and electricity. The expense was created by crediting an income account and debiting the expenditure account. This has the effect that the actual expenditure and actual income for economic services as disclosed in the income statement were overstated by R1 761 752 (2006: R4 848 757).
18. The equitable share has been reallocated to the different services was not allocated correctly. Consequently, the revenue for community services as disclosed in the income statement is understated by R3 190 256 (2006: R7 850 341). The revenue as disclosed in the income statement for subsidised services, economic services and trading services are overstated by R259 044 (2006: R639 788), R750 364 (2006: R1 967 993) and R2 180 848 (2006: R5 242 560) respectively.
19. During the year an incorrect journal was processed to reverse an incorrect service charge. The correction was incorrectly processed by debiting bad debts and crediting water service charges. Consequently, the revenue for trading services disclosed in the income statement and debtors disclosed in the balance sheet were overstated by R594 062 resulting in the understatement of the deficit for the year by the said amount.

Expenditure

20. The relevant contracts for payments totalling R1 110 278 in respect of operating expenditure were not submitted. In addition the relevant supporting documentation could not be submitted for payments totalling R1 142 086. I could therefore not determine whether these payments were valid and accurately recorded and could therefore not gain adequate audit assurance as to the accuracy, occurrence and allocation of expenditure and that irregular expenditure was not incurred. The municipality's records did not permit the performance of alternative audit procedures regarding these payments.

21. No supporting documentation could be obtained for journals that impacted on expenditure with R22 952 361. I could therefore not determine whether these journals were valid and accurately recorded and could therefore not gain adequate audit assurance as to the accuracy and allocation of expenditure. The municipality's records did not permit the performance of alternative audit procedures regarding these journals.
22. Due to the fact that the municipality incorrectly provided for audit fees at in the previous financial year, the expenditure of R76 706 737 as disclosed in the income statement was understated by R693 918 and the accumulated surplus at the beginning of the year was understated by R693 918.
23. The salary system was not reconciled with the general ledger by the municipality during the year under review. The reconciliation of the total of the salary integration journals processed in the general ledger and the total salaries according to the salary system performed by me identified a difference of R1 599 192. Supporting documentation could not be submitted to explain the difference. Consequently I was not able to obtain adequate assurance regarding the accuracy and occurrence of the salaries included in expenses in the income statement. The municipality's records did not permit the performance of alternative audit procedures regarding the difference that was identified.
24. Due to a calculation error the salary information that is disclosed in terms of section 124(1)(c) of the MFMA in note 16 to the financial statements is overstated by R314 499 in total when compared to the salary information on the salary system.
25. Support for the monthly salaries and benefits payable to a number of employees could not be obtained in the respective personnel files. The municipality's records did not permit the performance of alternative audit procedures with regard to these salaries. Consequently, I was not able to obtain adequate assurance regarding the accuracy and occurrence of salaries amounting to R2 300 622.

Cash flow statement

26. I was not able to determine whether the cash flow statement and the related notes are fairly stated due to the material effect on the cash flow statement and related notes, of scope limitations and identified misstatements as reported in this report.

Capital commitments

27. I was unable to obtain sufficient appropriate audit evidence to provide me with audit assurance as to the completeness and valuation of the capital commitments of R nil (2006: R1 771 197) as disclosed in note 32 to the financial statements. The municipality's records did not permit the performance of alternative audit procedures to obtain adequate audit assurance on the disclosed value of capital commitments.
28. Due to a calculation error the budgeted amount for each project, and not the actual contract value, was used to calculate the capital commitment balance in the previous year that is disclosed in note 32 to the financial statements. Consequently, the previous year's capital commitments are understated by R222 598.

29. Furthermore, the capital commitments disclosed in note 32 to the financial statements was not complete as the following information required by the applicable basis of accounting was not disclosed:

- (i) Commitments in respect of capital expenditure:
 - Approved and contracted for and
 - Approved but not yet contracted for
- (ii) The funding of the capital commitments.

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Contingent liabilities

30. Section 125 (2)(c) of the MFMA requires a municipality to disclose particulars of any contingent liabilities as at the end of the financial year. Legal confirmations received indicated a contingent liability of R300 000 (2006: R150 000) that was not disclosed in note 34H to the financial statements. Consequently, contingent liabilities disclosed in note 34H to the financial statements was understated by R300 000 (2006: R150 000).

Incomplete and incorrect disclosures in the financial statements

31. An amount of R20 559 489 (2006: R5 699 274) is disclosed in note 23 to the financial statements as a prior year adjustment. Contrary to the applicable basis of accounting no details have been disclosed with regard to the nature and reason for the adjustments. The contributions made from the operating account as required by the applicable basis of accounting were also not disclosed in note 23 to the financial statements.
32. I was also unable to obtain sufficient appropriate audit evidence as to the completeness and accuracy of the valuation of all the properties in the municipal area disclosed in note 13 to the financial statements as R365 232 647. In the absence of sufficient appropriate evidence I was also not able to perform reasonable alternative procedures to obtain the required audit assurance in this regard.
33. The actuarial valuations of the different pension funds towards which the council made contributions were not disclosed in the financial statements as required by the applicable basis of accounting.
34. The total amounts paid in audit fees, taxes, levies, duties and pension and medical aid contributions and whether any amounts were outstanding at the end of the financial year as well as contributions to organised local government were not disclosed in the financial statements as required in terms of section 125 of the MFMA.
35. The information relating to the outstanding amounts at the end of the financial year as disclosed in note 34 C to the financial statements in respect of taxes, pension contributions and medical aid contributions are understated by R14 342, R1 074 538 and R24 990 respectively with regard to the prior year.
36. Furthermore, supporting documentation could not be submitted with regard to the amounts paid that is disclosed as comparative figures in note 34 C to the financial statements. The municipality's records did not permit the performance of alternative audit procedures with regard to the comparative information disclosed in note 34C. I could therefore not obtain adequate audit assurance as to the accuracy and completeness of the comparative amounts paid for audit fees, taxes, levies, duties and pension and medical aid as disclosed in note 34 C to the financial statements.

Irregular expenditure

37. For payments totalling R1 800 928 (2006: R215 524) the number of quotations as required by paragraph 12 of the Local Government: Municipal Supply Chain Management Regulations, 2001 were not obtained. The amount was not disclosed in the financial statements as irregular expenditure as required in terms of 125 of the MFMA.
38. Payments totalling R98 340 were made in contravention of the Remuneration of Public Office Bearers Act (Act no. 20 of 1998). These payments were not regarded as irregular expenditure as required in terms of section 167 (2) of the MFMA and were not disclosed in the financial statements as required by section 125(2)(d) of the MFMA.

Unauthorised expenditure

39. A financial management grant was utilised for expenditure amounting to R198 525 that is not in accordance with the purpose of the grant. In terms of section 1 of the MFMA this constitutes unauthorised expenditure. This unauthorised expenditure was not disclosed in the financial statements as required in terms of section 125 of the MFMA.

Going concern

40. As disclosed in the balance sheet, the municipality is in a net liability position of R13 559 990. The difficulties experienced by the municipality in recovering all debts due to it as well as the potential negative effect of this tendency on the cash flows of the municipality, indicate that there is a risk that the municipality may be exposed to serious financial problems, which may require provincial or national intervention arising from financial crisis as set out in terms of sections 139 and 150 of the MFMA. This matter has not been adequately disclosed in the financial statements.

Disclaimer of opinion

41. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of Mafube Local Municipality. Accordingly, I do not express an opinion on the financial statements.

EMPHASIS OF MATTER

I draw attention to the following matters:

Material inconsistencies in information included in the annual report

42. Assessment rates disclosed in note 13 of the financial statements amounts to R 3 242 189 while Appendix E to the financial statements discloses assessment rates as R 4 106 425. The difference amounts to R864 236.
43. Assessment rates for the 2006 year disclosed in note 13 amounts to R4 534 829 while appendix D to the financial statements discloses assessment rates as R4 043 844 The difference amounts to R490 985

OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

Internal controls

44. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the inefficiencies in the system of internal control, which led to the disclaimer of opinion. The root causes are categorised according to the five

components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
Basis for disclaimer of opinion					
Fixed assets	X		X		X
Debtors			X		X
Inventory			X		X
Investments			X		X
Bank			X		
Provisions			X		
Creditors			X		X
Statutory funds			X		X
Income			X		X
Expenditure			X		X
Salaries			X		
Cash flow statement			X		
Capital commitments			X		X
Contingent liabilities			X		
Incomplete and incorrect disclosures in the financial statements			X		
Irregular expenditure			X		
Unauthorised expenditure			X		
Going concern			X		
<p>Control environment: establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.</p> <p>Risk assessment: involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.</p> <p>Control activities: policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.</p> <p>Information and communication: supports all other control components by</p>					

Reporting item	Control environment	Assessment of risks	Control activities	Information and communication	Monitoring
communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allows people to carry out their financial reporting duties.					
<u>Monitoring:</u> covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.					

Material non-compliance with applicable legislation

Municipal Finance Management Act, 2003

45. According to a financial report, attached to the minutes of council meeting held on 22 February 2007, the chief financial officer indicated that the municipality was facing serious financial problems which resulted in the compilation of a financial recovery plan. However, no evidence could be obtained confirming that the mayor, as required in terms of section 54(2)(b) of the MFMA, informed the MEC for Local Government and Housing of the municipality's financial problems.
46. In terms of section 65(2)(e) of the MFMA the accounting officer of a municipality must ensure that all money owing by the municipality is paid within 30 days of receiving the relevant invoice or statement, unless prescribed otherwise for certain categories of expenditure. In respect of several payments with a total value of R 4 883 199 I was unable to obtain sufficient appropriate audit evidence that the payment was made within the prescribed period.

47. Section 71 of the MFMA states that the accounting officer of a municipality must by no to later than 10 working days after the end of each month submit to the mayor of the municipality and the relevant provincial treasury a statement on the state of the municipality's budget. Except for the statement for the month of April 2007, no supporting documentation could be submitted to indicate that statements for the other months were submitted to the provincial treasury.
48. Section 72 (1) of the MFMA states that the accounting officer of a municipality must by 25 January of each year assess the performance of the municipality during the first half of the financial year and submit a report on such assessment to the mayor of the municipality, the National Treasury and the relevant provincial treasury. No proof could be submitted that such an assessment was performed.
49. Section 74 (2) of the MFMA states that if the accounting officer of a municipality is unable to comply with any of the responsibilities in terms of the MFMA, he or she must promptly report the inability, together with reasons, to the mayor and the provincial treasury. Several instances where the required reports were not submitted to the provincial treasury were noted, however, no proof could be submitted that this matter was reported to the provincial treasury explaining the reason as to why the reports were not submitted.
50. The same members serve on the bid evaluation committee and the adjudication committee. It could therefore not be determined if these tenders were awarded according to a regulatory framework that is fair, equitable, transparent, competitive and cost-effective as required in terms of section 112(2) of the MFMA.
51. In terms of section 121 of the MFMA the municipality has to prepare an annual report for each financial year. No annual reports were compiled and submitted for the 2005-06 and 2006-07 financial years.
52. Section 122(1)(a) of the MFMA requires every municipality to prepare financial statements which fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year. The financial statements submitted to the Auditor-General on 9 September 2008 for the 2006-07 financial year however, contained a number of material errors as set out in this report.

Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA)

53. Declaration forms signed by the councillors to disclose any direct or indirect personal or private business interest which that councillor, or any spouse, partner or business associate of that councillor, may have in any matter while serving before the council was not submitted for six councillors, as required by items 7(1) and 5(1)(a) of the code of conduct for councillors set out in schedule 1 of the MSA.
54. Contrary to section 57(1) and (2) of the MSA, there were no written and signed annual performance agreements in place for the municipal manager and the managers directly accountable to him for the 2006-07 financial year.

Division of Revenue Act

55. Section 26(2)(b) of the DoRA states that a receiving officers must, in respect of an allocation transferred to a municipality, as part of the report required in terms of section 71 of the MFMA, submit a report to the National Treasury and the transferring national officer on spending against programmes. Only the monthly Municipal Infrastructure Grant (MIG) reports for December 2006 to June 2007 could be obtained. The monthly MIG reports for July 2006 to November 2006 could not be obtained.
56. Section 26(5) and 27(5) of the DoRA states that the receiving officer must, within two months after the end of the financial year, evaluate its performance in respect of programmes or functions funded or partially funded by an allocation and submits such evaluation to the transferring national officer. No proof could be submitted that such an evaluation was performed and that the evaluation was submitted to the relevant transferring national officer.

Matters of governance

57. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Audit committee			
• The municipality had an audit committee in operation throughout the financial year.		X	
• The audit committee operates in accordance with approved, written terms of reference.		X	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		X	
Internal audit			
• The municipality had an internal audit function in operation throughout the financial year.		X	
• The internal audit function operates in terms of an approved internal audit plan.		X	

• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		X
Other matters of governance		
The annual financial statements were submitted for audit as per the legislated deadlines section 126 of the MFMA for municipalities.		X
The financial statements submitted for audit were not subject to any material amendments resulting from the audit.	X	
No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.		X
The prior year's external audit recommendations have been substantially implemented.		X
SCOPA resolutions have been substantially implemented.		X

Unaudited supplementary schedules

58. The supplementary information set out on pages 25 to 32 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion on them.

OTHER REPORTING RESPONSIBILITIES

REPORT ON PERFORMANCE INFORMATION

59. I was engaged to review the performance information.

Responsibility of the accounting officer for the performance information

60. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the MSA.

Responsibility of the Auditor-General

61. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
62. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
63. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

Non-compliance with regulatory requirements

No performance management system in place

64. The municipality did not develop and implement a performance management system as required in terms of sections 38 to 42 of the MSA.

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No quarterly reporting on performance information

65. Due to a lack of a performance management system no quarterly reports on the progress in achieving measurable objectives and targets were prepared as a whole for the municipality to facilitate effective performance monitoring, evaluation and corrective action as required by section 40 of the MSA.

Existence and functioning of a performance audit committee

66. The municipality did not appoint and budget for a performance audit committee, neither was another audit committee utilised as the performance audit committee as required by regulation 14(2)(a) of the Local Government Municipal Planning and Performance Management Regulations, 2001.

Internal auditing of performance measurements

67. The municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal auditing processes as required in terms of section 45 of the MSA and section 165(2)(b)(v) of the MFMA.

Mid-year performance assessment not performed

68. A report by the accounting officer on mid-year budget and performance assessments, as required by section 72 of the MFMA could not be submitted.

Performance information not received in time

69. Contrary to the requirements of section 121(3)(c) of the MFMA, the municipality did not submit the annual performance report prepared by the municipality in terms of section 46 of the MSA for evaluation as part of the audit process.

APPRECIATION

70. The assistance rendered by the Staff of the Mafube Local Municipality during the audit is sincerely appreciated.

Bloemfontein

5 December 2008



AUDITOR-GENERAL

**MAFUBE
LOCAL MUNICIPALITY**

FINANCIAL STATEMENTS

30 JUNE 2007

MAFUBE LOCAL MUNICIPALITY				
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MAFUBE LOCAL MUNICIPALITY

GENERAL INFORMATION

MEMBERS OF THE COUNCIL

Cllr. L.M.D. Ntombela (Full-time)	Mayor
Cllr. T.M.Moloi (Full-time)	Speaker
Cllr. W.P.J.Pelser	Member of Executive Committee
Cllr. J.E.Sigasa	Member of Executive Committee
Cllr. J.J.Hlongwane	Council Member
Cllr. K.C.Kanono	Council Member
Cllr. L.S.Kubeka	Council Member
Cllr. M.P. Memeza	Council Member
Cllr. D. Mfene	Council Member
Cllr. M.S. Mokoena	Council Member
Cllr. M.J. Moloi	Council Member
Cllr. M.A. Mosia	Council Member
Cllr. M.M. Sekhoto	Council Member
Cllr. E.M. Skosana	Council Member
Cllr. D. Tshabalala	Council Member
Cllr. P.J. Tshabalala	Council Member
Cllr. P.D. Van Der Westhuizen	Council Member
(9 Wards)	

Grading of Local Authority

Grading 5

Auditors

Auditor-General

Bankers

ABSA Bank
Frankfort

Registered Office

P.O. Box 2	64 Brand Street
Frankfort	Frankfort
9830	9830
Telephone: 058 813 1051	Fax: 058 813 3072

MUNICIPAL MANAGER			
Mr. N. Masoka			
Diploma in Personnel Management			
Programme in Governance and Political Transformation			
Certificate in National Labour Relations			
Management Development Programme			
CHIEF FINANCIAL OFFICER			
Mr. N.A. Hlubi			
B. Accounting Degree			
NQF Level 6			

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MAFUBE LOCAL MUNICIPALITY

**APPROVAL OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

The annual financial statements set out on pages 6 to 31 were approved by the Municipal Manager on 2007.

MUNICIPAL MANAGER
Mr. N. Masoka

Date

MAFUBE LOCAL MUNICIPALITY

MAYOR'S FOREWORD

I am once again privileged to preambule the financial statement of MAFUBE Local Municipality for the year ended 30 June 2007. This is in compliance with the provision of the Municipal Financial Management Act (MFMA) which became operational on 01 July 2004. Our compliance with these provisions is indeed commensurate with our rating on the low to high capacity with the matrix in the act.

As we forecast to another year ahead of us we wish to indicate that the past year was not as as we had projected. We were met by a number of challenges and we can gladly announce that although not all of them have been addressed quite a substantial number of them were attended to.

The Constitution compels all of us to work towards the development of our communities and free all our communities from poverty and deprivation. We strive to achieve this aim; we have formulated our vision to provide integrated, effective and transparent government, by

ensuring:

1. Economic growth,
2. A safe and healthy environment,
3. Effective service delivery and
4. Sound financial management

Surely as we roll out the other obligatory formalities of the Municipal Financial Management Act (MFMA), we stand to act with more efficiency, effectiveness and maintaining value for money for our communities.

To them we pledge our unstinting resolve to work for their betterment and advancement. This we do within our promise for a better life for all through a peoples contract to create jobs and fight poverty.

Cllr. L.M.D. Ntombela (Full-time)
MAYOR

MAFUBE LOCAL MUNICIPALITY

**CERTIFICATE OF REMUNERATION AND IN-KIND
BENEFITS OF COUNCILLORS**

I, the undersigned, am responsible for the preparation of these annual financial statements, which are set out on pages 6 to 31, in terms of Section 124(1)(a) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the remuneration of Councillors and in-kind benefits as disclosed in note 14 of these annual financial statements, are within the upper limits of the framework envisaged in Section 219 of the Constitution and the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with that Act.

Mr. N. Masoka
MUNICIPAL MANAGER

REPORT OF THE MANAGER: FINANCIAL SERVICES

Introduction

It is a privilege to present this report for the 2006/2007 financial year.

1 Operating Results

Details of the operating results per department, classification and object of expenditure are included in appendixes D and E. The applicable statistics are shown in appendix F. The overall operating results for the year ended 30 June 2006 are as follows:

	Actual 2006/2007	Actual 2005/2006	Percentage Variance	Budgeted 2006/2007	Variance actual / budgeted
	R	R	%	R	%
INCOME					
Opening deficit					
Opening accumulated surplus	3,639,023	8,995,518			
Operating income for the year	67,371,041	58,741,336	143	109,355,775	(38.4)
	71,010,064	67,736,854		109,355,775	

The actual income is only R332 169 less than budgeted for.

	Actual 2006/2007	Actual 2005/2006	Percentage Variance	Budgeted 2006/2007	Variance actual / budgeted
	R	R	%	R	%
EXPENDITURE					
Operating expenditure for the year	76,706,737	58,398,557	31.4	107,336,940	(28.5)
Sundry transfers	20,559,489	5,699,274			
Closing accumulated surplus	(26,256,162)	3,639,023			
	71,010,064	67,736,854		107,336,940	

The variance between the actual and budgeted amounts is mainly a result of lower actual income.

1.1 Rates and general services

	Actual 2006/2007	Actual 2005/2006	Percentage Variance	Budgeted 2006/2007	Variance actual / budgeted
	R	R	%	R	%
Income	42,352,952	31,688,824	33.7	32,128,815	31.8
Expenditure	44,288,724	29,516,957	50.05	32,599,330	35.9
Surplus/(deficit)	(1,935,772)	2,171,867		(470,515)	

Surplus(deficit) as % of total income	(4.6)	9.7		(1.5)	
The variance between the actual and budgeted expenditure is due to actual salaries and allowances being less than budgeted for.					
1.2 Trading services					
	Actual	Actual	Percentage	Budgeted	Variance actual
ELECTRICITY	2006/2007	2005/2006	Variance	2006/2007	/ budgeted
	R	R	%	R	%
Income	15,937,019	14,782,683	7.8	15,660,214	1.8
Expenditure	19,088,316	15,479,260	23.3	15,376,693	24.1
Surplus/ (deficit)	(3,151,297)	(696,577)		283,521	
Surplus(deficit) as % of total income	(19.8)	(4.7)		1.8	
The significant variance in actual income is due to the late approval of tariff increases by the NER.					

**REPORT OF THE AUDITOR-GENERAL TO THE FREE STATE LEGISLATURE AND
THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE
INFORMATION OF THE MAFUBE LOCAL MUNICIPALITY FOR THE YEAR
ENDED 30 JUNE 2007**

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I was engaged to audit the accompanying financial statements of the Mafube Local Municipality which comprise the balance sheet as at 30 June 2008, income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 37 to 82.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2006 (Act No. 2 of 2006) (DoRA). This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126 of the MFMA, my responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with the International Standards on Auditing and General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008. Because of the matters discussed in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis of accounting

4. The municipality's policy is to prepare financial statements on the entity-specific basis of accounting, as set out in accounting policy note 1.

Basis for disclaimer of opinion

Fixed Assets

5. For reasons as detailed below I was unable to obtain sufficient appropriate audit evidence as to the existence, rights, completeness, and valuation of fixed assets to the value of R181 910

(credit) (2006: R129 938 (debit)), as disclosed in the balance sheet and the related detailed disclosure in note 6 to the financial statements:

- The municipality did not maintain a reliable record of fixed assets that contained all relevant information for the proper identification of fixed assets costing R127 785 640 (2006: R98 832 719).
- Note 6 to the financial statements indicate that fixed assets have a negative value of R181 910 at year end. As fixed assets cannot have a negative value loans either redeemed and other capital receipts as disclosed in note 6 to the financial statements are overstated by at least R181 910 or fixed assets are understated by at least R181 910.
- The cost of fixed assets according to the fixed asset register differs by R3 666 832 (2006: R7 713 282) from the total fixed assets disclosed in the financial statements due to the fact that the asset register was not timely updated during the current and previous financial years.
- Projects with a total cost of R8 545 772 were completed during the year, but the completed projects could not be identified in the fixed asset register.
- Although assets with a value of R385 330 were transferred to the Free State Department of Health during the previous financial year, these assets are still included in the fixed asset register of the municipality.
- According to the municipality's accounting policy, fixed assets are stated either at historical cost or at valuation where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the treasurer. Contrary to the prescripts of the municipality's accounting policy 555 assets (2006: 599 assets) were not disclosed at either cost price or valuation but are included in the asset records at value between zero and R10, as the actual costs or fair value of the assets had not been determined. The value of fixed assets and loans redeemed and other capital receipts is therefore misstated by an unquantifiable amount that would equate to the cost or fair value of these assets had it been determined.
- During the physical verification of assets, damaged assets with a cost of R436 362 were identified. No provision was made against loans redeemed and other capital receipts for the impairment of these assets.
- For contracts totalling R21 347 293 the relevant contracts could not be submitted to obtain sufficient appropriate audit evidence as to the completeness, accuracy, occurrence of capital expenditure of R9 007 138.
- Sufficient and appropriate supporting documentation could not be obtained in respect of asset acquisitions of R1 807 356. Appropriate audit assurance was therefore not available to determine whether these transactions occurred and were accurately recorded and that irregular expenditure was not incurred.

Due to the extent of the weaknesses in the fixed asset records of the municipality and the lack of sufficient appropriate supporting documentation I could also not perform reasonable alternative procedures to obtain all the documentation and explanations deemed necessary.

Debtors

6. For reasons as detailed below I was unable to obtain sufficient appropriate audit evidence as to the existence, rights, completeness, and valuation of debtors to the value of R13 894 921

(2006: R46 568 058), as disclosed in the balance sheet and the related detailed disclosure in note 10 to the financial statements:

- No supporting documentation could be obtained for journals that impacted on debtors with R5 614 182 and on the provision for doubtful debt with R4 508 809. I could therefore not determine whether these journals were valid and accurately recorded and I could therefore not gain adequate audit assurance as to the valuation and allocation of consumer debtors and the provision for doubtful debt. The municipality's records did not permit the performance of alternative audit procedures regarding these journals.
- Included in consumer debtors as disclosed in note 10 to the financial statements, is an account with a credit balance of R1 035 838 which represents receipts which were not allocated. As I could not obtain the documentation and explanations deemed necessary to classify the receipts I could not determine whether the unallocated receipts amounting to R1 035 838 represented income or receipts from debtors. The municipality's records did not permit the performance of alternative audit procedures regarding these unallocated receipts. Consequently, I could not determine the amount by which payables and receivables are overstated and revenue is understated.
- I was unable to obtain sufficient appropriate audit evidence in respect of the salary control account with a balance of R2 056 197, included in debtors in note 10 to the financial statements. Consequently, I was not able to gain adequate audit assurance as to the existence and valuation of the salary control account and whether the account represents rights of the municipality. Due to the lack of sufficient appropriate audit evidence I was unable to perform reasonable alternative audit procedures to provide me with the required audit assurance.
- Supporting documentation with regard to the line item "Error in Trial Balance" amounting to R2 080 368 that is disclosed in note 10 to the financial statements could not be submitted. The municipality's records did not permit the performance of alternative audit procedures regarding this balance. Consequently, I could not gain adequate audit assurance as to the existence, valuation, completeness and rights and obligations of this debtor account and I could not determine the effect of the error on the assets and liabilities as disclosed in the balance sheet and the income and expenditure as disclosed in the income statement.
- No supporting documentation could be submitted with regard to the difference of R1 148 913 that exists between the debtor's age analysis and the amount disclosed in note 10 to the financial statements with regard to consumer and other current debtors. The municipality's records did not permit the performance of alternative audit procedures regarding the identified difference.
- Included in debtors as disclosed in the balance sheet and in note 10 to the financial statements are consumer debtors with credit balances amounting to R1 435 127 that should have been transferred to creditors. A journal amounting to R163 685 was also incorrectly credited against consumer debtors in stead of sundry creditors. Consequently debtors and creditors are understated by R1 598 812.
- Balances amounting to R1 251 762 are included in other current debtors in note 10 to the financial statements. These balances relate to consumer debtors and should have been included in consumer debtors in the same note to the financial statements. Consequently, other current debtors are overstated by R1 251 762 and consumer debtors are understated by the same amount.

	Actual 2006/2007	Actual 2005/2006	Percentage Variance	Budgeted 2006/2007	Variance actual / budgeted
WATER	R	R	%	R	%
Income	9,081,070	12,269,829	(26.0)	11,284,475	(19.5)
Expenditure	13,329,698	13,402,340	(0.5)	11,082,344	20.3
Surplus/ (deficit)	(4,248,628)	(1,132,511)		202,131	
Surplus(deficit) as % of total income	(46.8)	(9.2)		1.8	

The variance between the actual and budgeted income is due to the fact that the water consumption was more than estimated for.

The variance between the actual and budgeted expenditure is due to the fact that the tariffs for the purchasing of water were increased during the year.

Capital expenditure and financing

The expenditure on fixed assets during the year amounted to R24 585 553 and is 68.6% more than the previous year. The actual expenditure is 59% less than budgeted and consist of the following:

	Actual 2007	Budget 2007	Actual 2006
	R	R	R
Community services	16,922,908	5,956,000	371,549
Properties	533,007	-	-
Subsidised services	3,475,219	412,000	33,363
Cleansing	-	-	5,255
Properties	3,635,106	-	-
Water Park	10,515	10,000	5,651
Sewerage	8,799	3,055,000	2,972,140
Housing Services	-	1,310,000	343,786
Electricity	-	5,079,016	3,981,657
Water	24,585,553	15,822,016	7,713,402

The significant variance between actual and budgeted expenditure is due to the fact that the necessary funding could not be obtained for all the projects budgeted.

Resources used to finance the fixed assets were as follows :					
			Actual	Budget	Actual
			2007	2007	2006
			R	R	R
External loans			-	8,600,000	
Operating income			28,914,771	1,571,000	400,962
Renewal Fund					
Other sources				310,000	
Infrastructure fund					
Contributions from District Council					10,943,295
Grants and subsidies			134,346,026	8,341,016	2,396,580
			163,260,797	18,822,016	13,740,838
Refer to Appendix C for further details.					

3	External loans, investments and cash		
	The current figures for external loans, investments and cash are as follows:		
		2007	2006
	External loans	168,046	184,039
	External investments	10,863,587	3,878,093
	Bank overdraft	-	3,735,197
	External loans outstanding on 30 June 2007 amount to R 168 046.		
	Additional information regarding external loans, investments and cash are disclosed in notes 4, 7, and 12 and Appendix B to the financial statements.		
	The offices at Frankfort and Villiers serve as security for the bank overdraft.		
4	Funds, reserves and provisions		
	The current figures for funds, reserves and provisions are as follows:		
		2007	2006
	The Capital Development Fund	8,203,158	8,203,158
	Other Funds and Reserves	3,472,425	3,469,025
	Provisions	2,454,192	2,729,806
	More information regarding funds, reserves and provisions are disclosed in notes 1, 2 and 3 and appendix A to the financial statements.		
5	Post balance sheet events		
	There were no events subsequent to Balance Sheet date that could have had an effect on the financial statements as disclosed.		
6	Appreciation		
	I would like to extend my gratitude to the Mayor, Speaker, Councillors, the Municipal Manager, Managers of Departments and all officials for the support they have given to me during the financial year.		
	I also want to point out that our Trial Balance for the 2006/2007 financial year did not balance		

and we could not correct the error in the 2006/2007 financial year, but will be corrected in the 2007/2008 financial year.			
Mr. N.A. Hlubi			
CHIEF FINANCIAL OFFICER		DATE	

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MAFUBE LOCAL MUNICIPALITY			
BALANCE SHEET AT 30 JUNE 2007			
	Not e	2007 R	2006 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		11,669,437	11,666,036
Statutory funds	1	10,831,092	10,827,691
Reserves	2	838,346	838,346
RETAINED INCOME/(ACCUMULATED DEFICIT)		(26,256,162)	3,639,023
Trust Fund	2	6,146	6,146
Long-term liabilities	4	168,046	127,399
Consumer deposits	5	852,542	817,798
		(13,559,991)	16,256,402
EMPLOYMENT OF CAPITAL			
Fixed assets	6	(181,910)	129,933
Long-term investments	7	2,145,453	3,525,864
Long-term debtors	8	-	4,240
		1,963,543	3,660,037
NET-CURRENT ASSETS		(15,523,535)	12,596,365
CURRENT ASSETS		24,045,126	47,183,078
Inventory	9	814,674	217,048
Debtors	10	13,894,921	46,568,058
Bank	12	582,065	-
Cash		31,774	33,674
Short-term investments	7	8,718,134	352,229
Short-term portion of long term debtors	8	3,559	12,069
CURRENT LIABILITIES		39,568,661	34,586,713

Provisions	3		2,454,192	2,729,807
Creditors	11		37,114,469	28,065,069
Short-term portion of long term liabilities	4		-	56,640
Bank overdraft	12		-	3,735,197
			(13,559,991)	16,256,402

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MAPURE LOCAL MUNICIPALITY							
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007							
2006	2006	2006		2007	2007	2007	2007
Actual	Actual	Surplus /		Actual	Actual	Surplus /	Budget
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)	Surplus/(Deficit)
R	R	R		R	R	R	R
31,688,824	29,516,957	2,171,867	Rates and general services	42,352,952	44,288,724	(1,935,772)	1,785,153
17,799,575	13,489,632	4,309,943	Community services	26,191,093	21,313,538	4,877,556	5,804,810
698,230	3,774,269	(3,076,039)	Subsidized services	323,900	6,155,934	(5,832,034)	(3,988,944)
13,191,019	12,253,056	937,963	Economic services	15,837,939	18,019,252	(2,181,293)	(38,713)
27,052,512	28,801,600	(1,829,088)	Trading services	25,018,089	32,418,014	(7,399,925)	263,682
58,741,336	58,398,557	342,779	Total surplus (deficit)	67,371,041	76,706,737	(9,335,696)	2,048,835
		(5,699,274)	Appropriation for the year			(20,529,489)	
		(5,356,495)	Net surplus (deficit) for the year			(29,895,185)	
		8,995,518	Accumulated surplus (deficit) at the beginning of the year			3,639,023	
		3,639,023	Accumulated surplus (deficit) at the end of the year			(26,256,162)	

MAFUBE LOCAL MUNICIPALITY				
CASH FLOW STATEMENT				
FOR THE YEAR ENDED 30 JUNE 2007				
	Note	2007 R	2006 R	
Cash retained from operating activities		11,316,849	10,316,999	
Cash generated by operations	24	(29,855,552)	(2,562,958)	
Investment income	25, 29, 30	41,172,401	5,037,168	
(Increase) / Decrease in working capital		11,316,849	2,747,940	
Less: external interest paid	22	11,316,849	(29,314)	
Cash available from (utilized in) operations			2,718,626	
Cash contributions from government and public			7,590,283	
Adjustment				
Fixed assets sold				
Cash utilized in investing activities			(7,705,272)	
Investment in fixed assets			(7,713,402)	
(Increase) / Decrease in long-term debtor			8,130	
Net cash flow		11,316,848	2,611,636	
Cash effects of financing activities				
Increase / (decrease) in long-term loans	26	(15,995)	(52,710)	
Increase / (decrease) in consumer deposits			101,940	
(Increase) / decrease in long-term investments	27	(6,985,494)	(2,399,157)	
(Increase) / decrease in short-term investments			(17,064)	
Increase / (decrease) in bank overdraft			(219,651)	
(Increase) / decrease in cash	28	(4,315,365)	(24,195)	
Net cash utilized		(11,316,848)	(2,611,636)	

Mafube Local Municipality		
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007		
	2007	2006
	R	R
1. STATUTORY FUNDS		
Capital development fund	8,203,158	8,203,158
Green fund	2,627,934	2,627,934
	10,831,092	10,831,092
Refer to Appendix A for further details		
2. RESERVES		
Reserves for Renewal	70,119	70,119
Capital Reserve Fund	768,227	768,227
	838,346	838,346
Refer to Appendix A for further details		
TRUST FUNDS		
Government fund	6,146	6,146
	6,146	6,146
Refer to Appendix A for further details		
3. PROVISIONS		
Audit fees	1,637,131	1,484,220
Accrued leave pay	817,060	1,245,586
	2,454,192	2,729,806
4. LONG TERM LIABILITIES		
Annuity loans	168,046	184,039
(Development Bank of South Africa)	168,046	184,039
Less: Current portion transferred to current liabilities	(56,648)	(56,648)
	168,046	127,399
Refer to Appendix B for further details		
Annuity Loans		
(Development Bank of South Africa)		
Carry interest at rates varying between 9.75% and 16.02% per annum and are repayable over periods of between 6 months and 5 years.		

MAFUBE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

	2007	2006
	R	R
6. FIXED ASSETS		
Fixed assets at the beginning of the year	177,021,263	169,307,856
Capital expenditure during the year	24,608,723	17,713,407
Less: Assets written off, transferred or disposed of during year	(28,100,851)	
Total fixed assets	173,529,135	177,021,263
Less: loans redeemed and other capital receipts	(173,702,045)	(176,891,325)
Net fixed assets	(181,910)	129,938
Council's offices at Frankfort and Vithiers serve as security for the bank overdraft.		
Refer to Appendix C for further details.		
7. INVESTMENTS		
Long-term investments	2,116,951	3,412,927
Unlisted	129,008	120,195
YKR: Shareholder's fund	830	765
YKR: Investments	985,590	787,308
Old Mutual: Redemption Fund		
Old Mutual: Fixed investment		
ABSA: Fund investment	1,001,523	2,504,659
Sanlam: Fixed investment		
	28,502	112,937
Listed		84,435
Old Mutual plc	28,502	28,502
Sanlam		
Total Long-term investments	2,145,453	3,525,864
Short-term investments	8,354,114	9,000
ABSA: Short term deposits	364,020	343,229
ABSA: Infrastructure EX 23		
Total Short-term investments	8,718,134	352,229
TOTAL INVESTMENTS	10,863,587	3,878,093
Market valuation in respect of listed investments		112,937
Management valuation of investments		3,878,093
Profit or loss on investment transactions	NIL	NIL
Average rate of return on investments		7.12%

			NIL	NIL
	Value of investments pledged as security			
			NIL	NIL
	Amount of investments written-off during the year			
	Circular No. 8 of 1962 issued by the Provincial Legislature requires Local Authorities to invest funds, which are not required immediately with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at plenary rate to meet commitments.			
	All interest earned on investments is credited to Statutory Funds.			

All interest earned on investments is credited to Statutory Funds.

MAFUBE LOCAL MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

	2007	2006
	R	R
8. LONG-TERM DEBTORS		
Housing loans - employees	3,559	16,308
	3,559	16,308
Less: Short term portion of long term debtors transferred to current assets	(3,559)	(12,069)
		4,239
9. INVENTORY		
Inventory consist of consumables. Where necessary provision has been made for obsolete inventory.	814,674	217,948
10. DEBTORS		
Consumer debtors	58,391,643	60,770,939
Other current debtors	3,371,091	6,336,320
Amounts paid in advance	2,080,368	2,091,628
Error in Trial Balance	63,843,103	69,198,887
Less: Provision for bad debts	(49,948,182)	(22,630,830)
	13,894,921	46,568,057
Bad debts written off during the financial year		2,131,688
Bad debts written off as a percentage of total operating income		3.40%
Days debtors are outstanding		679 days
11. CREDITORS		
Trade creditors	14,523,978	5,646,411
Sundry creditors	22,594,411	20,324,460
Sundry deposits	(3,920)	2,570
Amounts received in advance	37,114,469	28,065,069
12. BANK		

An overdraft facility is secured over fixed property:		582,065	(3,735,197)
Offices at Frankfurt and Villiers			

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MARIBE LOCAL MUNICIPALITY				
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)				
13.	ASSESSMENT RATES	Valuations at 1 July 2006	Actual Income 2007	Actual income 2006
		R	R	R
	Government	19,909,510		
	Residential and other - Rateable	271,094,465	3,242,189	4,534,829
	Residential and other: Non rateable	62,206,132		
	Municipal	12,112,540		
		365,232,647	3,242,189	4,534,829
The valuations are performed every five years and the last general valuation took effect on 1 July 2003				
A discount of 20% was granted to Government properties				
Refer to Appendix F for further details on the valuation rolls				
Basic rate randage				
			2007	2006
			R	R
14.	COUNCILLOR'S REMUNERATION			
	Mayor's allowance		468,768	153,811
	Speaker's allowance		343,495	190,901
	Councillor's allowance		1,696,722	537,618
	Executive Committee allowance		352,522	153,977
			2,860,908	1,036,307
	Councillor's Pension Fund Contributions			133,667
	Councillor's Medical Aid Contributions			9,282
			2,860,908	1,179,256
15.	COUNCILLOR'S RATES AND SERVICES IN ARREAR FOR MORE THAN 90 DAYS			
	None		None	None
16.	REMUNERATION OF SECTION 57 APPOINTMENTS			
	MUNICIPAL MANAGER			
	Annual remuneration		413,562	276,141
	Bonus		34,463	22,852
	Travel allowance		-	56,712
	Contribution Medical Fund		16,603	-
	Contribution Pension		-	19,558
	Other		1,399	2,899
			466,028	378,162

MANAGER: FINANCIAL SERVICES			
Annual remuneration		320,109	198,697
Bonus		26,676	16,126
Travel allowance		88,541	40,902
Contribution: Medical fund		-	3,679
Other		1,399	2,392
		436,725	261,796
MANAGER: CORPORATE SERVICES			
Annual remuneration		305,569	198,697
Bonus		25,464	16,126
Travel allowance		74,017	40,902
Contribution: Pension Fund		12,190	3,679
Contribution: Medical fund		-	2,392
Other		1,399	261,796
		418,639	
MANAGER: TECHNICAL SERVICES			
Vacant			
MANAGER: COMMUNITY SERVICES			
Annual remuneration		305,569	
Bonus		25,464	
Travel allowance		74,017	
Contribution: Pension Fund		12,190	
Contribution: Medical fund		-	
Other		1,399	
		418,639	

NAFURE LOCAL MUNICIPALITY			
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)			
	2007	2006	
	R	R	
17. AUDIT FEES			
Paid/Current year	305,822	3,253,070	
Under / (over) provision previous year		231,150	
	305,822	1,404,220	
18. ERVEN TRUST FUND			
Outstanding advances to borrowing services:		2,624,533	
Accumulated fund	2,627,934	(2,616,769)	
Less: External investments	(2,620,169)	7,764	
	7,764	7,764	
(Refer to appendices A and B for more detail)			
19. RENEWAL FUND			
Outstanding advances to borrowing services:		70,119	
Accumulated fund	70,119	(62,307)	
Less: External investments	(62,307)	7,812	
	7,812	7,812	
(Refer to appendices A and B for more detail)			
20. CAPITAL DEVELOPMENT FUND			
Accumulated Fund	8,203,158	8,203,158	
21. CAPITAL RESERVE FUND			
Accumulated Fund	768,227	768,227	
22. FINANCE TRANSACTIONS:			
Total external interest received or paid:		273,730	
Interest received	417,688	(29,314)	
Interest paid	(89,470)	244,416	
Net interest received / (paid)	328,138		
Capital charges debited to operating account:			
Interest	22,498	32,162	
- External	22,498	29,314	
- Internal		2,848	

				1,733	57,014
Redemption					
				1,733	52,710
- External					4,304
- Internal					
Total				24,231	89,176

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MAPUBE LOCAL MUNICIPALITY			
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)			
	2007	2006	
	R	R	
23. APPROPRIATIONS			
Appropriation account:			
Accumulated surplus/(deficit)at beginning of year	3,639,023	8,995,518	
Operating (deficit)/surplus for the year	(9,335,696)	342,779	
Appropriations for the year	(20,559,489)	(5,699,274)	
Prior year adjustments	(20,559,489)	(5,699,274)	
Accumulated (deficit)/surplus at the end of the year	(26,256,162)	3,639,023	
24. CASH GENERATED BY OPERATIONS			
(Deficit)/Surplus for the year	(9,335,696)	342,779	
Adjustment in respect of:	(20,559,489)	(5,699,274)	
Adjustment	(20,559,489)	(5,699,274)	
Previous years' operating transactions			
Appropriations charged against income:	39,633	2,698,800	
Fixed Assets	311,847	115,119	
Investments			
Provision and reserve	272,214	2,583,681	
Capital charges		89,176	
Interest paid		32,162	
- External loans		29,314	
- Internal loans		2,848	
Redemption		57,014	
- External loans		52,710	
- Internal loans		4,304	
Investment income (Operating account)		(53)	
Grants and subsidies received			
Non-operating income credited against:		239	
- statutory funds			

Non-operating expenditure debited against:							
Provisions and reserves:							
Accrued leave					(609,166)		
Audit					(1,253,070)		
Bad debts					1,860,312		
				(29,855,530)	(2,562,957)		

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)			
	2007	2006	
	R	R	
25. (INCREASE)/DECREASE IN WORKING CAPITAL			
(Increase) / Decrease in inventory	(597,626)	(10,927,807)	
(Increase) / Decrease in debtors	32,673,136	15,900,792	
Increase / (Decrease) in creditors	9,049,400	4,972,985	
	41,124,911		
26. INCREASE/(DECREASE) IN LONG-TERM LIABILITIES			
Increase in loans	10,315	(52,710)	
Loan repaid	(26,308)	(52,710)	
	(15,993)		
27. (INCREASE)/DECREASE IN CASH INVESTMENTS			
Investment made	(6,983,494)	(2,667,381)	
Investment raised		230,360	
	(6,985,494)	(2,417,021)	
28. (INCREASE)/DECREASE IN CASH AND BANK			
Cash and bank balance at the beginning of the year	(3,701,523)	(3,945,368)	
Less: cash and bank balance at the end of the year	613,839	(3,701,523)	
	(4,315,362)	(243,845)	
29. (INCREASE)/DECREASE IN LONG-TERM DEBTORS			
(Increase)/decrease in Housing Loans	12,749	8,131	
(Increase)/decrease in Sport Club Loan	12,749	8,131	
30. INCREASE/(DECREASE) IN CONSUMER DEPOSITS			
Electricity Deposits	28,764	(731,617)	
Water Deposits	5,980	(66,181)	
	34,744	(817,798)	
31. INCREASE/(DECREASE) IN PROVISIONS			
Increase/(decrease) in Audit Fees	152,911	925,069	
Increase/(decrease) in Accrued Leave Pay	(428,526)	(203,625)	
	(275,614)	721,444	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007 (continued)

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APPENDIX A						
MAPURE LOCAL MUNICIPALITY						
STATUTORY FUNDS, RESERVES AND TRUST FUNDS						
FOR THE YEAR ENDED 30 JUNE 2007						
	Balance at 30 June 2006	Contributions during the year	Interest on Investments	Other income Transfer	Operating Expenditure during year	Balance at 30 June 2007
STATUTORY FUNDS						
Capital development fund	8,203,138	-	-	-	-	8,203,138
Erven trust fund	2,624,534	-	-	-	3,400	2,627,934
	10,827,692	-	-	-	3,400	10,831,092
TRUST FUND						
Government fund	6,146	-	-	-	-	6,146
RESERVES						
Capital renewal fund	70,119	-	-	-	-	70,119
Capital reserve fund	768,227	-	-	-	-	768,227
	838,346	-	-	-	-	838,346

MAFUBE LOCAL MUNICIPALITY									
EXTERNAL LOANS AND INTERNAL ADVANCES									
FOR THE YEAR ENDED 30 JUNE 2007									
EXTERNAL LOANS	Loan no	Issued	Interest Rate	Redeemable	Balance at 30 June 2006 R	Received / Capitalized during year R	Redeemed / written off during year R	Balance at 30 June 2007 R	
DRSA: Water	13049	1/7/1986	15.81%	30/6/2011	92,544	6,765	6,368	92,941	
DRSA: Sewerage	13044	1/7/1978	9.75%	30/6/2008	82,729	3,084	16,992	68,821	
DRSA: Sewerage	11708	1/1/1977	9.75%	31/12/2006	2,218		2,218		
DRSA: Water	11569	1/1/1990	16.02%	31/12/2009	6,548	463	730	6,281	
					184,039	10,315	26,308	168,046	
INTERNAL ADVANCES									
Erven trust fund					7,764			7,764	
Renewal fund					7,812			7,812	
					15,576			15,576	

FOR THE YEAR ENDED 30 JUNE 2007						
Expenditure 2006		Budget 2007	Balance at 30 June 2006	Expenditure during year	Redefined transferred or written off	Balance at 30 June 2007
R	Services		R	R	R	R
3,387,959	Rates and general services	-	102,495,150.20	24,585,553	28,100,851	98,889,852
371,550	Community services	-	28,346,633	16,922,908	21,247,052	24,022,489
	Civil protection	-	295,902	-	11,335	284,647
	Assets Matshabane	-	1,172,836	-	1,172,836	-
	Administration	-	2,009	-	2,009	-
	Community centre	-	139,152	1,168,336	-	1,307,488
42,959	City hall and offices	-	2,129,285	-	2,129,285	-
	Council's general account	-	40,580	-	40,580	-
	Fire protection	-	4,794	-	4,794	-
	Technical services	-	6,841,215	12,336,638	339,003	18,838,850
288,337	Parks and cemeteries	-	2,318,364	-	1,420,990	897,374
	Pound	-	60	-	60	-
	Roads and streets	-	11,617,930	8,024	10,405,597	1,220,357
	Health	-	431,642	3,210,800	3,649,722	-
	Swimming pool	-	271,143	-	4,112	267,031
	Street lighting	-	2,145	11,335	-	18,480
	Financial Manager	-	190,348	50,000	-	240,348
40,254	Municipal Manager	-	484,739	85,803	-	570,542
	Town planning	-	1,916,506	-	1,916,506	-
	Vehicles	-	252,299	-	-	252,299
	Workshops	-	11,900	4,112	-	6,012
	Taxi rank & buildings	-	21,793	-	-	21,793
	Computer	-	150,224	-	150,224	-
	Legal and protection services	-	51,687	40,581	-	92,268
	Properties	-	4,209,811	533,007	4,738,318	4,500
	General	-	1,671,322	-	1,666,822	4,500
-	General Matshabane	-	1,187,183	-	1,187,183	(0)
-	Health services	-	665,863	533,007	1,198,870	0
-	Housing Matshabane	-	15,170	-	15,170	0
-	Town lands	-	429,186	-	429,186	-
-	Town planning	-	201,319	-	201,319	-
-	Unsold houses Matshabane	-	7,313	-	7,313	(0)
-	Unsold sites	-	32,455	-	32,455	-
33,363	Subsidized services	-	4,560,967	3,475,219	2,037,551	4,998,635

120	libraries			885,506	2,089	887,515		381,831
	Fire Protection			297,037	4,794	-		2,016,378
33,743	Parks and recreation			695,389	1,428,989	-		
	Clinics			1,230,036	-	1,230,036		3,380,426
	Civil buildings			1,532,999	2,047,427	-		
				37,117,411	20,931,133	20,022,921		38,825,623
484,913	Balance carried forward							

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APPENDIX C

MATURE LOCAL MUNICIPALITY

ANALYSIS OF FIXED ASSETS FOR THE YEAR ENDED 30 JUNE 2007 (Continued)

Expenditure 2006		Budget 2007	Balance at 30 June 2006	Expenditure during year	Redeemed transferred or written off	Balance at 30 June 2007
R	Services		R	R	R	R
404,913	Balance brought forward		37,117,411	28,931,133	28,022,921	30,025,623
2,983,046	Economic services		65,287,739	3,654,420	77,930	68,264,229
5,255	Cleansing		1,197,827	3,635,106	72,253	1,125,574
5,651	Properties		2,724,919	-	-	6,340,025
2,972,140	Water Park		405,568	10,515	-	416,083
	Sewerage		60,959,425	8,799	5,677	60,962,547
	Housing services		1,925,540	15,170	-	1,940,710
	Sub-economic housing		1,786,844	15,170	-	1,802,014
	Economic housing		138,696	-	-	138,696
4,325,443	Trading services		72,690,570	-	-	72,690,570
343,786	Electricity		24,660,629	-	-	24,660,629
	Matshilaong network		4,781,275	-	-	4,781,275
	Brick making		9,511	-	-	9,511
3,981,657	Water		43,239,155	-	-	43,239,155
7,713,402	Total fixed assets		177,021,261	24,600,723	28,100,851	173,521,133
7,770,416	Less: loans redeemed and other capital receipts		176,891,324	180,560,771	183,749,054	173,703,043
57,014	Loans redeemed and advances paid		24,504,260	57,014	25,352,262	(700,988)
115,119	Contributions ex-operating income		4,829,955	28,914,771	5,525,048	28,219,678
	Adjustment previous years		(341,157)	341,157	-	-
	Other sources		10,101,751	11,257,200	10,101,751	11,257,200
	Funds		154,451	-	154,451	-
	Renewal fund		439,213	-	439,213	0
	Contribution from government		50,870,890	-	50,870,890	0
	Public contributions		50,276	-	50,276	0
	Capital reserve funds		58,815	-	58,815	0
	Erven funds		450,245	-	450,245	0
	Infrastructure funds		2,196,565	-	2,196,565	-
7,598,283	Grants and subsidies		80,164,246	134,346,026	85,227,725	29,282,547
	Sports fund		26,275	-	26,275	-

		12,813		12,813		-
Contribution funds		5,725		5,725		-
Sale of assets		3,200,000	5,644,603	3,200,000	5,644,603	-
Funds and reserves		77,000		77,000		-
Youth action						-
Net fixed assets		129,938	(155,960,048)	(155,648,203)		(181,910)
Note:						
Council's offices at Frankfurt and Valfiers serve as security for the bank overdraft						

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MAFUBE LOCAL MUNICIPALITY			APPENDIX D	
ANALYSIS OF OPERATING INCOME AND EXPENDITURE				
FOR THE YEAR ENDED 30 JUNE 2007				
Actual 2006 R			Actual 2007 R	Budget 2007 R
	Income			
19,967,121	Grants and subsidies		39,531,897	64,213,624
19,931,436	Central Government		39,439,897	64,213,624
35,685	Provincial Government		100,000	
38,774,215	Operating income		39,531,894	45,142,151
4,043,844	Assessment rates		3,242,189	5,341,631
11,212,290	Sale of electricity		8,874,755	13,150,291
5,401,321	Sale of water		6,300,734	4,934,403
18,116,752	Other services and charges		10,214,265	21,715,826
38,741,335			67,371,041	109,355,775
	Expenditure			
21,045,946	Salaries, wages and allowances		24,951,286	25,302,109
28,253,816	General expenses:		26,458,971	29,165,041
10,249,436	Purchase of electricity		11,795,162	10,559,317
3,986,924	Purchase of water		743,616	2,700,000
14,016,656	Other general expenses		13,920,194	15,905,724
2,511,619	Repairs and maintenance		2,966,719	3,899,121
89,176	Capital charges		24,231	613,953
115,119	Contribution Capital Expenditure		19,944,723	41,904,785
6,583,680	Contribution to Funds		2,360,887	6,451,929
58,398,556	Gross expenditure		76,706,737	107,336,940
	Less: Debited Elsewhere			(30,000)
58,398,556	Net Expenditure		76,706,737	107,306,940
342,780	Surplus/(Deficit)		(9,335,696)	2,048,835

MAFUBE LOCAL MUNICIPALITY								APPENDIX E
DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007								
2006	2006	2006		2007	2007	2007	2007	
Actual	Actual	Surplus /		Actual	Actual	Surplus	Budget	
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)	Surplus / (Deficit)	
R	R	R		R	R	R	R	
31,688,824	29,516,957	2,171,867	RATES AND GENERAL SERVICES	42,352,952	44,288,724	(1,935,772)	1,785,153	
17,799,575	13,489,632	4,309,943	COMMUNITY SERVICES	26,191,093	27,313,538	4,877,556	5,894,910	
420	3,523,282	(3,522,862)	Administration	215,278	6,477,429	(6,262,052)	(4,411,916)	
6,513,097	80,111	6,432,986	Assessment Rates	4,106,425	41,545	4,064,880	7,913,610	
	280,275	(280,275)	Mechanical Services		518,470	(518,470)	(694,238)	
35,685	8,868	27,617	Primary Health		1,828	(1,828)		
84,686	17,712	66,974	Cemeteries	88,877	436,641	(347,764)	(47,999)	
14,872	4,149,029	(4,134,157)	Technical Services	20,083	5,114,302	(5,094,299)	(3,061,381)	
	2,078,731	(2,078,731)	Corporate Services		3,966,555	(3,966,555)	(3,059,680)	
11,009,765	2,874,797	8,134,968	Finance	21,571,457	4,292,518	17,278,939	9,205,082	
141,050	477,627	(336,577)	Legal and Protection Services	188,953	464,249	(275,295)	(538,678)	
698,230	3,774,269	(3,076,039)	SUBSIDIZED SERVICES	329,900	4,155,934	(3,832,034)	(3,988,944)	
48,829	147,172	(98,343)	Civil buildings	61,514	388,525	(247,011)	(544,720)	
689	689		Fire Protection	6,576	2,981	3,595		
639,445	639,445		Libraries	253,383	742,851	(489,468)		
9,267	2,986,963	(2,977,696)	Parks and recreation	2,427	3,101,578	(3,099,151)	(3,444,224)	
18,497,805	17,263,901	1,233,904	Balance carried forward	26,514,993	25,469,472	1,045,521	1,815,866	

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Mafube Local Municipality							APPENDIX E
DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007 (Continued)							
2006	2006	2006		2007	2007	2007	2007
Actual	Actual	Surplus /		Actual	Actual	Surplus /	Budget
Income	Expenditure	(Deficit)		Income	Expenditure	(Deficit)	Surplus / (Deficit)
R	R	R		R	R	R	R
18,497,805	17,263,901	1,233,904	Balance brought forward	26,514,993	25,469,472	1,045,521	1,815,866
13,191,019	12,253,056	937,963	ECONOMIC SERVICES	15,837,959	18,319,252	(2,481,293)	(30,773)
362,383	57,461	305,122	Properties	238,212	55,910	182,302	474,095
5,799,591	5,626,804	172,787	Cleansing	4,949,030	3,990,994	958,035	2,909
7,025,649	6,223,174	802,475	Sewerage	10,636,477	14,377,920	(3,741,443)	2,228
3,196	345,617	(342,421)	Water park	14,240	394,427	(380,187)	(589,985)
27,052,512	28,881,600	(1,829,088)	TRADING SERVICES	25,018,089	32,418,014	(7,399,925)	263,682
14,782,683	15,479,260	(696,577)	Electricity	15,937,019	19,088,316	(3,151,297)	211,635
12,260,829	13,402,340	(1,141,511)	Water	9,881,070	13,329,698	(4,248,628)	52,947
58,741,336	58,308,554	432,782	Total	67,371,041	76,706,737	(9,335,696)	2,048,835
			Appropriations for the year				
		(5,699,274)	(Refer to note 25)			(20,539,489)	
		(5,356,495)	Net surplus/(deficit) for the year			(29,895,185)	
		8,995,518	Accumulated surplus/(deficit) beginning of the year			3,639,023	
		3,639,023	Accumulated surplus/(deficit) end of the year			(26,256,162)	

MAPUBE LOCAL MUNICIPALITY

APPENDIX F

STATISTICAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2007

		2007	2006
General statistics			
i) Population		57,637	57,637
ii) Valuation of residential properties		Not available	Not available
Valuation of commercial properties		Not available	Not available
Valuation of rateable properties: Land		271,004,465	271,004,465
Valuation of rateable properties: Improvements		94,228,182	94,228,182
Valuation of non-rateable properties: Land			
Valuation of non-rateable properties: Improvements			
iii) Date of valuation		1/7/2007	1/7/2006
iv) Number of stands - residential and commercial		13,432	13,432
v) Assessment rate on land		0,0194c/R	0,01833c/R
vi) Assessment rate on improvements		0	
vii) Number of employees		343	343
Electricity statistics			
i) Number of users (residential and commercial)		19,856	19,365
ii) Units purchased		11,795,161.00	54,711,313
iii) Units sold		5,736,328.33	51,559,399
iv) Units lost in distribution		6,068,841.32	3,151,914
v) Percentage loss in distribution		5.07%	5.07%
vi) Cost per unit sold		0.386	22
Water statistics			
i) Number of users (residential and commercial)		14,668	14,668
ii) Units purchased		743,616.17	1,591,558
iii) Units sold		6,270,016.69	1,882,266
iv) Units lost in distribution		0	

					0		
v)	Percentages loss in distribution						
					3,826	2.87	
vi)	Cost per unit sold						
	Transport Statistics						
	There are no public transport in any of the towns						
i)	Number of passengers transported				none	none	
ii)	Number of trips travelled				none	none	
iii)	Kilometres travelled				none	none	

CHAPTER 5

Functional Area Service Delivery Reporting

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5. Level of service and strategies to improve service delivery

Service backlogs, critical areas to be addressed and development strategies planned by Mafube to improve service delivery include:

5.1 Backlogs

Water

Backlog is mainly in the rural areas. Only 1% of households are provided with water below RDP standard in the urban areas and no households are provided with water below RDP standard in the rural area.

Sanitation

8% of urban households are provided with sanitation below RDP standard and in the rural areas, 66% of households

Electricity

The lowest percentage of electricity access for the urban areas is in Cornelia where only 52% of the households had electricity by 2001. The lowest percentage of electricity access for the urban areas is in Cornelia where only 52% of the households had electricity by 2001.

Waste removal

70.8% of households have access to regular refuse removal in Mafube. The lowest levels of refuse removal are in Frankfort, where only 64.1% of households recorded having weekly refuse removal.

5.2 Strategies to eradicate backlogs and improve sanitation

OBJECTIVE 1

To be able to accommodate existing and future effluent from residential and industrial areas, in sewer works adhering to legal health and environmental standards

STRATEGIES

1. Complete the current projects to upgrade the sewer works and oxidation ponds in Frankfort, Tweeling and Villiers.
2. Upgrade the Technover system at Cornelia.
3. Prevent overflow into the river at Frankfort, Tweeling and Villiers provide proper backup systems such as pumps, standby generators etc.
4. Adequate provision for future growth is made on condition that the above upgrading is done.
5. Upgrade the oxidation ponds at Villiers, Frankfort and Tweeling.
6. Upgrade all pump stations at all towns.

PROJECTS

- Upgrade sewer works: Namahadi Phase 2
- Second Bio Filter
- Upgrade oxidation ponds at Villiers, Tweeling and Cornelia
- Upgrade the Technover system at Cornelia
- Upgrading of existing pump stations in Mafube
- Network and toilet structures to all new sites +/- 2000 all areas (incl. 986 Namahadi)

OBJECTIVE 2

To ensure that all existing and future erven are provided with a functional waterborne sewer system

STRATEGIES

1. Provide a waterborne sewerage network with a toilet structure to the following areas to reduce backlogs as quickly as possible:
 - Namahadi
 - Qalabotjha
 - Cornelia
 - Ntswana (Sishu)
 - Watalaneng
2. With the current rate regarding MIG funding it is realistic to address the current backlog over the next two years.
3. Serve all erven with waterborne sewerage network the current water provision will have to be upgraded.
4. The additional equipment due to the replacement of bucket system can be relocated to other services like refuse removal.

PROJECTS

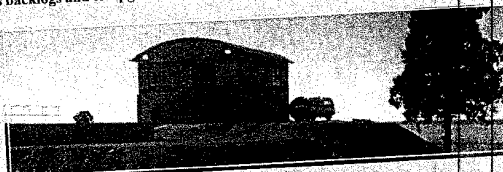
- Upgrading of the network at Namahadi
- Waterborne sewerage networks and toilet structures to address backlogs in all areas
- Replace the suction tank system at Cornelia and replace all bucket system in accordance with the government policy
- Increase the backlog of the existing waterborne house toilet outside toilet structures to be provided

OBJECTIVES	STRATEGIES	PROJECTS
<p>OBJECTIVE 3</p> <p>To provide a sustainable maintenance system with adequate resources/equipment and personnel capacity and able to resolve complaints within 8 hours</p>	<p>1. Currently maintenance is done on an ad-hoc basis and should be done on a continuous basis</p> <p>2. The current personnel work teams and equipment is insufficient to properly address blockages and complaints</p> <p>3. In Frankfort, Villiers and Tweeling additional teams are required and to be equipped. In Cornelia once the waterborne sewerage is installed, the current suction tank / bucket removal personnel can be utilized as a maintenance team</p> <p>4. Ensure that a complaint register is kept at all offices and monitored</p> <p>5. Implement and investigate a toll free number for complaints</p> <p>6. Train all maintenance staff (water, sewerage, electricity, streets and storm water, refuse removal and cemetery maintenance staff) to ensure effectiveness and productivity</p>	<ul style="list-style-type: none"> Obtain adequate vehicles and equipment High pressure cleaning equipment for 2 towns area units Obtain emergency equipments and pumps Currently maintenance is done on an ad-hoc based and should be done on an continuous basis (Maintenance Plan) The shortage of equipment primarily refer to drain cleaning equipment and all additional tools need to be provided with vehicles Although maintenance is done on a daily basis the condition of equipment in general is in poor condition and need to be maintained on a regular basis (Maintenance is further hampered by the current cash flow situation – (Maintenance Plan)
<p>OBJECTIVE 4</p> <p>To conduct ongoing educational programmes with consumers to minimize blockages in the system</p>	<p>STRATEGIES</p> <p>1. Conduct comprehensive awareness workshops (to include water, sewerage, electricity, streets, refuse and cemeteries) although the Ward Committees system to train the community on the following aspects:</p> <ul style="list-style-type: none"> How to use the system What materials to be used Cost of blockages How to report problems and to report timorously Not to use foreign objects Water preservation and home plumbing Dangers of electricity etc <p>2. Utilize the ward Committee to prepare the material, in conjunction with the Municipal administration, and to be presented by the ward Councilors on a quarterly basis</p> <p>3. Train community leaders to also conduct these workshops</p> <p>4. The Ward Councilors to approach schools to educate children</p> <p>5. Monitor the reports to determine the reason for blockages and if it has been solved and to report back to relevant structures and stakeholders</p>	<p>PROJECTS</p> <ul style="list-style-type: none"> Conduct awareness campaigns through the ward committees
<p>OBJECTIVE 5</p> <p>To provide quality sewer measures meeting RDP standards to all residents</p>	<p>STRATEGIES</p> <p>1. Investigate needs in rural areas (Comprehensive Rural Analysis Research Report)</p> <p>2. It is the Municipality's intention to provide VIP toilet structures for all rural families to have access to according to RPD standards</p> <p>3. Utilize the available subsidy / grant from the national Department of Water Affairs and Forestry to provide VIP toilet structures based on a need assessment</p> <p>4. Include the rural communities and agricultural unions when conducting awareness campaigns on the usage and provision of sanitation systems</p>	<p>PROJECTS</p> <ul style="list-style-type: none"> VIP toilet to all households in rural areas based on investigations

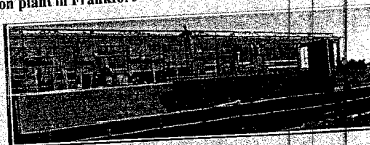
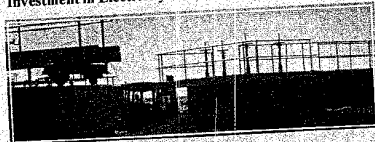
Several projects are undertaken to address backlogs and to upgrade service provision to the people of Mafube



Investment in Electricity



New water reticulation plant in Frankfort



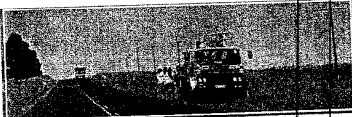
5.3 Strategies to address backlogs and improve water supply

OBJECTIVE 1	STRATEGIES	PROJECTS
To upgrade the water storage capacity to meet future demands and to ensure at least 48 hours storage capacity	<ol style="list-style-type: none"> Currently problems exist with Frankfort and Villiers. In case of Cornelia, the tele-metering pumping system needs to be upgraded to provide 48-hour storage capacity For the 2 year period the following bulk needs to be addressed – Water storage capacity in Cornelia – Frankfort Restore the functioning of the tele-metering system in Cornelia to ensure the correct level of water capacity in reservoirs Ensure sufficient manpower to adequately purify water 	<ul style="list-style-type: none"> Upgrade storage capacity all areas Upgrade water purification plant Phase 2 – Frankfort Construction of Weir in Vaal River – at Villiers Upgrade water purification plant in Villiers Upgrading of water network in all areas – Asbestos pipes Frankfort – 15km at R 20 million Villiers, Cornelia and Tweeling – 40km at R 40 million
OBJECTIVE 2 To ensure that all erven will have access to metered portable and quality water	STRATEGIES <ol style="list-style-type: none"> Provide water meters to all erven in the entire area: <ol style="list-style-type: none"> Namahadi: water network and meters to additional 2000 erven Qalabotjha: water network and meters to 900 Cornelia: Water meters to 100 erven Mafahlaneng: old section to be provided with water meters Provide water networks with meters to all future erven for 5 years (approximately 3000 low cost erven) Provide water network and meters to 300 middle income extension in Villiers and extension 24 in Frankfort of 171 erven (high cost erven) Ensure that all current erven are provided with a water network to replace existing stand communal stand in Qalabotjha, Namahadi and Mafahlaneng Currently 6kl free basic water are provided to all households Ensure that all meters are correctly read on a monthly basis Replacement of approximately 4000 water meters in Mafube 	PROJECTS <ul style="list-style-type: none"> Upgrading of Water Network in – Old Asbestos Pipes: All Areas Replace all water meters in Mafube area
OBJECTIVE 3 To provide quality water metering RDP standards to all rural residents	STRATEGIES Provision of water to all rural households <ol style="list-style-type: none"> Ensure that farmers provide for clean water to all farm households Find mechanisms to ensure that all households have access to water according to the RDP standards Conduct an investigation as part of a comprehensive rural services analysis Involve farmers and agricultural unions regarding the provision of water by the property owner Monitor the provision of quality clean water through annual audits Engage with the Department of Agriculture and Water Affairs to assist in this regard and with the provision of subsidies (rudimentary water provision) If farm owners do not co-operate in providing quality water to farm workers measures should be implemented to ensure co-operation and monitoring Provision of water to farm house hold by the farm must be revisited Provision of water has to be municipality responsibility (can be shared) 	PROJECTS <ul style="list-style-type: none"> Investigate the provision of subsidies to farmers to provide water to farm communities

OBJECTIVE 4	STRATEGIES	PROJECTS
<p>To increase resources, equipment and personnel capacity to be able to reduce water loss within 2 hours and to repair breakages within 8 hours</p>	<ol style="list-style-type: none"> 1. Duplicate strategies from sewerage regarding maintenance teams 2. Prevent the installation of a system for which parts are not regularly and easily available in cases of repairs 3. Constant backlog of breakages and adequate personnel should thus be available to address the breakages 4. Provide accounts the telephone number of personnel on standby to report breakages after hours and over weekends 	<ul style="list-style-type: none"> • Provide Maintenance Vehicles (3 Tows) New • Equipment for maintenance and emergency • Replace water valves: Frankfort, Villiers, Cornelia and Tweeling • Implementation of measuring / metering system to measure bulk supply and determine water loss areas • Metering system for Municipal Properties <p>Maintain water pipelines and have material in stock in case of emergency break downs and blockages where networks are in a dilapidated condition to be replaced and maintained properly:</p> <ol style="list-style-type: none"> a. Entire Frankfort b. Willie Avenue the small town pipes needs to be replaced with bigger lines to improve water pressure c. Entire Cornelia d. Entire Villiers e. Entire Tweeling <p>The replacement of these pipelines and stop valves and fire hydrants are labour intensive and a procurement policy need to be implemented to stimulate job creation</p> <ul style="list-style-type: none"> • Service and replace water valves on a regular basis relating to the above areas where replacement should take place (Maintenance Plan) • In Namahadi, Qalsobotha, Ntswanatsatsi and Mahlangeni fire hydrants and adequate stop valves need to be provided (Maintenance Plan) • Implement proper design criteria and continual maintenance of stop valves to minimize disruption of water supply during breakages • Implement a measuring / metering system to measure bulk supply and determine water loss areas • Implement a metering system for administrative usage like parks, halls etc
<p>OBJECTIVE 5</p> <p>To conduct ongoing education programmes with consumers to timely report breakages</p>	<p>STRATEGIES</p> <ol style="list-style-type: none"> 1. Set-up a calendar for the different campaigns for each month – to ensure that all residents know when will their rose /night soil be removed (day of the week) 2. Monitor the effectiveness of the campaigns 3. Report back on a quarterly basis 4. Investigate other areas where campaigns have successfully been executed with results and to supply these principles 	<p>PROJECTS</p> <ul style="list-style-type: none"> • Provision of electricity network at purification plant • As part of the comprehensive services awareness campaigns, as part of the Priority Sewerage, Ward councillors to conduct workshops addressing the following: <ul style="list-style-type: none"> • The necessity to safe water • How and why to safe water • How and when to report complaints • Why do you have to pay for water • The importance of the metering system • Ward Councillors to prepare the material in consultation with relevant officials

5.5 Strategies to improve streets and storm water

Overall, the picture portrayed in Mafube raise concern. Only 32% of the roads are considered to be in a fair condition. This is significantly lower than the 43% of roads with at least a fair rating in the Free State province

OBJECTIVE 1	STRATEGIES	PROJECTS
Tar and /or surface identified (District Municipality Survey) access and collector roads	<ol style="list-style-type: none"> 1. Do a proper master plan and part of the plan to determine streets to be paved and to be funded cost effectively 2. Identify phases for implementation as part of the master plan 3. As part of the construction of streets to provide proper storm water networks 4. Ensure the implementation of storm water management systems during the upgrading of all urban streets 5. Labour intensive methods such as paving will contribute to job creation 	<ul style="list-style-type: none"> • Construction of streets and storm water drainage systems according to Master Plan – Qalabotjha, Namahadi, Ntswanatsatsi and Mafahlaneng • Obtain equipment and vehicles plus low-bed truck • Investigate upgrading of Waterpark roads  <p>EPWP</p>
OBJECTIVE 2 To continuously upgrade and match existing urban gravel and tar roads	STRATEGIES <ol style="list-style-type: none"> 1. Obtain adequate equipment, vehicles and personnel to do proper upgrading of gravel roads 2. Seek adequate external funding (incl. MIG and FDDM) 3. Upgrading to be executed also in phases according to the master plan 4. Increase vehicle and personnel resources to sufficiently maintain urban road networks 	PROJECTS <ul style="list-style-type: none"> • Upgrading and maintenance of all existing streets in Mafube according to the master plan • Upgrading of existing tar roads and paving Mafahlaneng Tweeling and Namahadi/Frankfort • Ntswanatsatsi - Main Streets • Qalabotjha - Taxi roads Ext 3 & 4 • Villiers - Upgrading of tar and gravel roads • Tweeling - Upgrading of tar and gravel roads
OBJECTIVE 3 To ensure the naming and numbering of all streets	STRATEGIES <ol style="list-style-type: none"> 1. Involve ward committees and the community structures in the process of providing street numbers to all areas to facilitate health and policing services 2. Provide street signage to indicate the various extensions / suburbs in a town area (information signs) 	PROJECTS <ul style="list-style-type: none"> • Provision of street names and signage to indicate the various extensions / suburbs in a town area
OBJECTIVE 4 To provide and maintain adequate traffic and road signs and traffic calming measures	STRATEGIES <ol style="list-style-type: none"> 1. Obtain adequate funding internal and external (sustainable traffic signs) 2. As part of the comprehensive services awareness campaigns (see objective 4 as part of the Priority Sewerage), to implement community awareness to take ownership and look after signs and traffic signs and boards 3. Ensure visibility of street and traffic signs 4. Provide traffic calming measures such as humps and safe pedestrian crossing along high speed traffic routes 	PROJECTS <ul style="list-style-type: none"> • Provide traffic calming measures such as humps and safe pedestrian crossing along high speed traffic routes – Phase 1

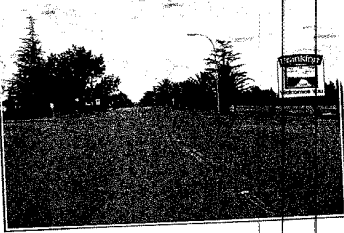
Community development workers (CDW's)
Mafube not only empower the youth, but also depend on their presence in communicating valuable information to decision making bodies.



Community development workers (CDW's)

Local Economic Development

Mafube has a comprehensive LED Strategy and intend to specifically focus on Tourism, industrial, agricultural and SMME development. Part of the strategy for local empowerment and capacity building is the introduction of LED learnerships and involvement in the EPWP.

OBJECTIVE 1	STRATEGIES	PROJECTS
To implement measures involving all economic stakeholders that will contribute to the economic growth and development of the area	2.1 Tourism development <ol style="list-style-type: none"> Engage with relevant stakeholders to identify and develop tourism opportunities Investigate and promote and market all tourism opportunities Establish cultural village close to the N3 highway that will attract the passing-by traffic Info centre is operational – must be moved to the municipality Establish info centre at Frankfort and satellite centre at other towns Distribute brochures on all facilities, establishments, events and tourism related information (incorporated to the communications section) Identify tourism areas that can be further developed (tourism clerk to be appointed) Encourage product owners to upgrade the existing resorts to meet national grading standards The grading and upgrade of all holiday resorts in the area to be competitive to other areas Investigate the development of additional resorts along the river Establish water intensive events Establish an annual canoe marathon event Extend the existing 4x4 events to become a regular attraction Extend and promote the current "Wilge Marathon and Wilge Mekit" to annual regional events Support the River boat (Canoeing) project by DEAT starting from Villiers to Deneysville 	<ul style="list-style-type: none"> Promotion and marketing of all tourism opportunities Establish a cultural village close to the N3 highway Establish an info centre on the N3 and other surrounding towns Extend current festivals and events into regular annual events i.e. canoe marathon, Wilge Marathon, Wilge Mekit agricultural show Establish water intensive events Ensure the grading of tourism establishments according to national standards Extend and establish 4x4 events Bank facilities must be sustained for 24 hrs
		 <p>Initiatives to improve the entrance of Frankfort</p>
OBJECTIVE 2 Implementation of the LED Strategy	STRATEGIES <ol style="list-style-type: none"> Implement the LED Plan Establish a Tourism Forum Improve LED environment through signage at the Municipality Implement sector projects (1 per sector) Target growth through the promotion of Vaal 21 initiative around the River Development 	PROJECTS <ul style="list-style-type: none"> Develop an LED Implementation Plan

OBJECTIVE 3

To promote and support industrial development in the area

STRATEGIES**2.2 Industrial development**

1. Develop and implement incentive schemes to attract investors (revive investment committee)
2. Prevent the scaling and closing down of factories and businesses to prevent further job losses
3. Implement training programmes of technical and workshop labourers
4. Investigate the exploration of coal deposits in the area

PROJECTS

- Incentives by Council for industrial development
- Implement technical training programmes
- Implement program to establish small entrepreneurs to open factories
- Investigate the exploration of coal deposits

OBJECTIVE 4

To assist with the development of infrastructure in the area

STRATEGIES**2.3 LED infrastructure**

1. Establish bank facilities for Tweed and Cornelia and apply to bank institutions to establish satellite bank facilities in these towns
2. Ensure that all ATM facilities are in working order
3. Encourage the existing Chambers of Commerce to extend its functioning of the other towns in the municipal area
4. Establish a functional LED Forum for the whole area
5. Provide infrastructure service and industrial sites in all towns
6. Council to formulate a policy on incentives to attract business and industrial development i.e. Land for free, sliding scale for rates and taxes etc.

PROJECTS

- Establish bank facilities and ATM's in all towns
- Extend functioning of the chamber of Commerce to all towns
- Establish LED forum for the region
- Provide industrial sites in all towns

OBJECTIVE 5

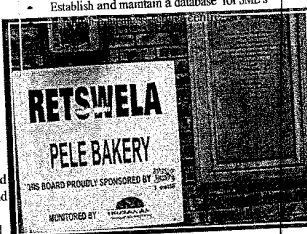
To promote an environment conducive to SMME development

STRATEGIES**2.4 SMME development**

1. Promote entrepreneurship and provide training courses for the development of entrepreneurs
2. Establish formal market places in all towns for the informal traders
3. Apply for funding for the youth (Umsubumvu farmers) development and entrepreneurship programs
4. Implement a procurement policy to provide preference to local and emerging contractors
5. Maximize local labour prospects when awarding procurement contracts
6. Investigate the potential economic development opportunities, particularly for the emerging entrepreneurs, N3 passing through the area
7. Identify all SMME's in the area in order to establish and maintain a database and to determine their training and developmental needs
8. Provide business support services and a centre that will facilitate the proper functioning of SMME's
9. Support a start-up fund for SMME's

PROJECTS

- Provide training courses for entrepreneurship development
- Establish formal trading areas for informal traders
- Apply for funds from the Umsubumvu Fund for youth development programmes
- Establish and maintain a database for SME's

**OBJECTIVE 6**

To assist with the investigation and support of sustainable agricultural development in the areas

STRATEGIES**2.5 Agricultural development**

1. Establish a meat processing plant for the excess meat from abattoirs (require involvement of DoH for inspection purposes)
2. Identify other natural products from the area that can be processed into value adding products
3. Obtain support and involvement from farmers union and all other agricultural structures and institutions to enable the implementation of identified opportunities
4. Ensure that the Department of Agriculture provides extension services to all commercial and emerging farmers
5. Obtain land for the development of emerging farmers
6. Engage in an active process within farmers unions to enable the survival and growth of existing farming enterprises
7. Yalrophy trees to be planted in Frankfort and Kroonstad
8. Identification of land in Mafube
9. Bio-fuel opportunities to be investigated and supported

PROJECTS

- Establish a meat processing plant for the excess meat from the existing abattoirs
- Provision of extension services to all commercial and emerging farmers
- Obtain land for the development of emerging farmers
- Engage with farmers unions on the survival of farming enterprises

STRATEGIES

- agricultural structures and institutions to enable the implementation of identified opportunities
- 4. Ensure that the Department of Agriculture provides extension services to all commercial and emerging farmers
- 5. Obtain land for the development of emerging farmers
- 6. Engage in an active process within farmers unions to enable the survival and growth of existing farming enterprises
- 7. Yaltrophy trees to be planted in Frankfort and Kroonstad
- 8. Identification of land in Mafube
- 9. Bio-fuel opportunities to be investigated and supported

OBJECTIVE 7

To support job creation initiatives

STRATEGIES

- 1. Establish service delivery programmes to be more responsive to business needs
- 2. Ensure procurement programme include access to training, credit & municipal contracts
- 3. Reduce service costs to business in line with national benchmark

PROJECTS

PROJECTS

- Update employment database
- Keep register of job entrants
- Work with labour structures